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FLY HIGH, FLY LOW

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Where cynicism is king

CONTRARY TO the popular legends, money-men live by their cynicism rather than by their wits. This includes the gnomes of Zurich. Hardly had the ink dried on the Bonn communique of the heads of government of the seven leading industrial nations when the yen cockily marked itself up, touching 194.50 to the US dollar in the Tokyo exchange on July 27. As a measure of the failure of the brainwaves set loose by the Bonn talks to reassure the currency markets that the United States and its helpers in western Europe are now on their way to re-establishing monetary stability, this depreciation of the dollar could not have been welcome in the White House. It is Tokyo, however, which may have the greater cause for worry. While the steady appreciation of the yen has not put Japanese industry out of the export business by any means, it seems to be genuinely feared in that country that, should the yen-dollar rate continue to move towards the Y190 mark, more and more Japanese firms, especially those which are medium or small and are earning their bread as ancillaries or sub-contractors to the bigger industrial complexes, are bound to come to grief.

It is therefore a matter of some urgency for the Japanese government to check the further slide of the dollar in relation to the yen. Enormous pressure has been exerted on the Japanese government, particularly by the Carter administration, to refrain from intervening in the currency markets in support of the yen, but it is doubtful that Mr Fukuda can afford to continue to practise this enforced "hands off" policy. Already there is much resentment in Japan over the distress suffered by the more modest business firms or their employees who have been particularly vulnerable to the impact of an appreciating yen on the volume of the country's exports. The Japanese prime minister, however, will not be in a strong position to initiate a move for stabilizing the yen in terms of the US dollar, unless his government soon gives proof of fulfilling the commitments Mr Fukuda was persuaded to enter into at the Bonn summit. Briefly, Japan has undertaken to observe restraint in exporting, while displaying liberality in importing. This objective is to be achieved partly by specific decisions on trade policies and related administrative measures and partly through a strategy of domestic inflation which could push the GNP growth rate by seven per cent. The promised turn in fiscal policy is also expected to be Japan's contribution to the reflation of the world economy and the improvement of liquidity in international monetary relations.

If the appreciation of the yen has devalued the grandeur of the Bonn summit, the Olympic high jump which the price of gold has staged has done a similar disservice to the earlier Bremen conference of the leaders of the nine European Community nations. The European Council endorsed the joint initiative of Mr Helmut Schmidt, the chancellor of the Federal Republic of Germany, and Mr Giscard d'Estaing, the president of France, for "closer monetary cooperation....leading to a zone of monetary stability in Europe." More specifically, the participants agreed, in principle, to a scheme of exchange rate management for strengthening the so-called "snake", or the common margins arrangement at present operated by five members of the Community. In the initial stages of the proposed scheme, member countries currently not participating in the "snake" may opt for somewhat wider margins around central rates for a limited period of time. Non-member countries, with particularly strong economic and financial ties with the Community, may become associated members of this system. The European Currency Unit will be used as a means of settlement between the EEC monetary authorities and an initial supply of ECUs will be created against deposit of US dollars and gold on the one hand (for example 20 per cent of the stock currently held by member central banks) and member currencies on the other hand of an amount of comparable order or magnitude.

Commenting on this exercise in creating a "zone of currency stability in Europe" *The Economist* (London) has wryly remarked that the proposed mobilisation of up to

$50 billion of European taxpayers' money in order to sell cheaply European currencies which the market has signalled are about to go up will not deter speculation, but will bring in more speculators grateful to take advantage of this generous one-way option. This assumption has been spectacularly confirmed by the latest spurt in world gold prices, with the London market putting up the yellow metal to $201.30 an ounce on July 28. (In parenthesis, it may be added that *The Economist* is not always as all-knowing as it often makes itself out to be; for instance, at one stage in the continuing gold boom the world has been witness to in recent years, this journal sneered at the "gold bugs", saying that it was more likely than not that the metal would be back to a price of $100 or less.)

That, so soon after the Bonn summit, gold is so much on the ascendant as a hedge against inflation and the depreciation of paper currencies, clearly suggests that only performance following the promises promptly can hope to save the situation. The critical questions, therefore, are: Will the Carter administration succeed within the remaining months of the year in pushing through the Congress an energy policy that would cut oil imports sufficiently to render the trade deficit manageable? Will the US government be able to arrest inflation without decelerating the growth of its economy? Will West Germany step up its public spending and France go in for a larger budget deficit as their respective reflationary assistance to the world economy? Will Britain, heading for a general election, be able to stick to a non-inflationary incomes policy now and after? Will the EEC and the US be able to bring down domestic unemployment levels while resisting the cheap temptation of increasing trade restrictionism? Meanwhile, it is clear that Japan can only share in the aggregate effort to reflate the world economy—and it is possible that its share cannot or need not be the largest.

As of now the gravest threat to the health of the world community comes from the rise of protectionism in the western industrial economies. The odds are mounting against the Tokyo Round of talks, which could possibly mark a critical development in the tortuous process of trade liberalization. Optimists, fortunately, are not wanting. According to Dr William R. Cline of the Brookings' Institution, tariff cuts now considered likely to emerge from the Tokyo Round should increase the annual imports of the industrial countries by more than seven billion dollars. The developing countries should be grateful for such fallout as may come their way.

Dollar at new low

TOKYO, August 1 (AFP): The U.S. dollar plunged to yet another all-time low against the Japanese yen on the Tokyo foreign exchange market today opening at 188.50 yen.

The previous low of 190.30 yen was registered during the morning session yesterday. The opening rate compared with yesterday's finishing price of 190.80 yen.

Despite the yen's steep rise, the Bank of Japan did not intervene in the market at the opening, market sources said.

Let sugar be set free

THE UNPARALLELED increase in the production of sugarcane and sugar during the current year has created a crisis which has virtually knocked the bottom out of the policy of partial decontrol of sugar pursued by the government during the past eight years. In a way, the present critical situation in this industry has provided a clear proof in support of the contention that partial decontrol is at best an imperfect solution which is relevant so long as the supply of cane and sugar is short of total demand. As soon as the supply outstrips demand, the policy of partial decontrol plunges the sugarcane growers and the sugar mills into deep waters.

Here are a few facts which demonstrate the magnitude of the problem which the sugar industry as well as the sugarcane growers face currently. During 1977-78 (year ending October) the mills are likely to produce 6.8 million tonnes of sugar. Up to the end of June 1978, they had already produced about 6.3 million tonnes of sugar. The total output of sugar last year being around 4.9 million tonnes, an abnormal increase in production of about two million tonnes in a single year has been the direct result of the bumper harvest in sugarcane.

The stocks with the sugar mills have grown enormously. At the end of June 1978, they were estimated to be around 4.6 million tonnes against 2.5 million tonnes only in the same month last year. The strain of carrying such heavy stocks at a time when exports have dropped due to the reduced prices and fall in demand in the world markets, and with no immediate chances of domestic consumption picking up to absorb the surplus, has put many a sugar factory in the red.

The genesis of the current crisis may be traced to the extremely remunerative prices of sugarcane assured to the grower by the government in recent years. In Uttar Pradesh, for example, the minimum notified price this year ranged between Rs 8.50 to Rs 11.00 per quintal though the prices paid by the factories were between Rs 12.50 and Rs 13.50 per quintal. In Bihar, the price paid by the factories ranged between Rs 12.25 and Rs 12.50 per quintal while the minimum notified price was put between Rs 8.50 and Rs 10.80 per quintal. The same story was repeated in the case of the other states as well. This is not the first year that the sugarcane growers have benefited heavily due to the price-support measures enforced by the government. In fact, for the past few years the return per hectare has been extremely profitable for the farmer with the result that the area under this crop has continued to increase year after year reaching an all-time peak in 1977-78.

While the area under sugarcane was 2.87 million hectares in 1976-77, it rose to 3.04 million hectares in 1977-78 and the production of sugarcane rose from 154 million tonnes in 1976-77 to 172 million tonnes in 1977-78. The government did its best to encourage the mills to maximise the off-take of sugarcane. Excise duty rebates were provided so that increased quantities of sugarcane were picked up for crushing by the mills. Even though the increase in production of sugarcane has been of the order of 18 million tonnes in the current year, the sugar factories have crushed more than 19 million tonnes

above the total cane crushed in the preceding year. Thus the sugar factories have risen to the occasion in order to help the cane growers but it is the gur and khandsari manufacturers who have not crushed even their usual quantity of cane which in fact has resulted in the reduced off-take of sugarcane. As a natural consequence some growers were forced to sell sugarcane at prices which were much below the minimum notified prices.

According to the central minister for Agriculture and Irrigation, Mr S. S. Barnala, the government is seriously considering the decontrol of sugar. It seems that under the prevailing circumstances, the government has no option but to decontrol sugar so that the burdens imposed on the sugar factories in an artificial manner can be done away with. Last year, the sugar mills were estimated to have incurred a loss of Rs 60 crores. If there is no change in policy in the current year, the losses of the mills are likely to be higher at Rs !50 crores.

reconsidering the policy

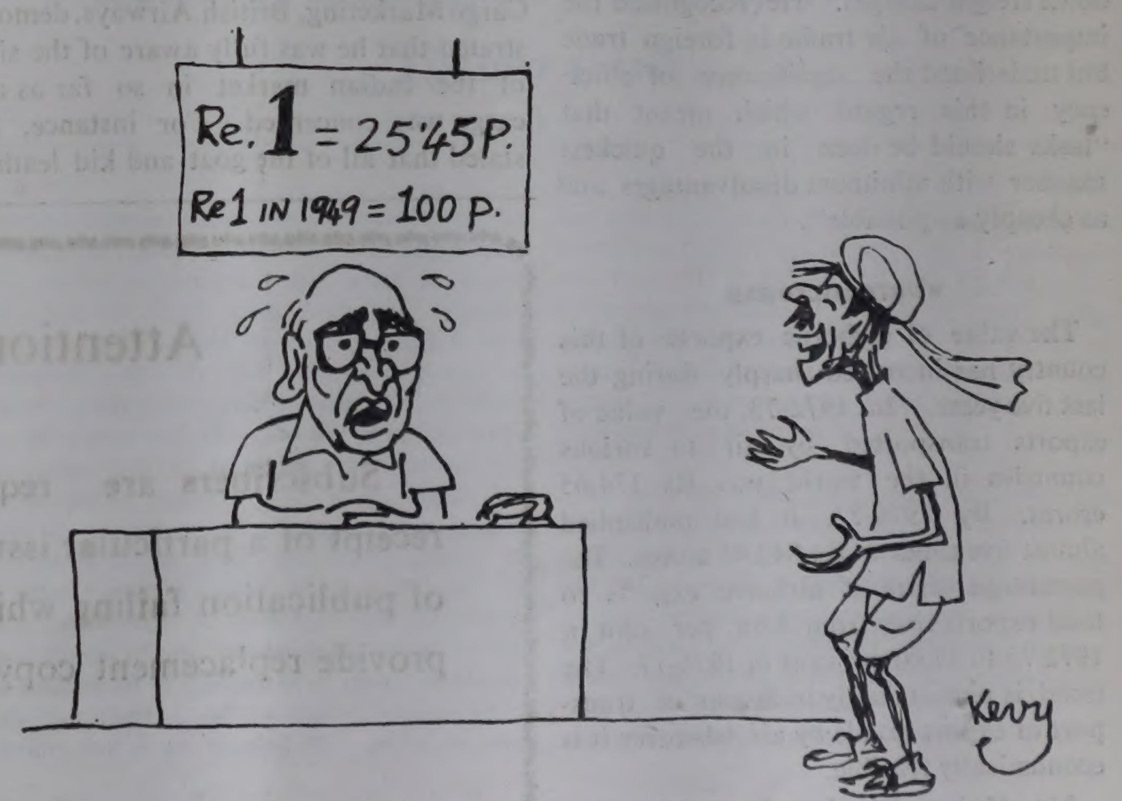
In the first week of July, the central government appointed a cabinet subcommittee to examine all aspects of sugar policy but its recommendations will concern only the next sugar season beginning on November 1, 1978. This committee is reported to have finalised its suggestions which will come up for discussion in the central cabinet in the next one or two weeks. Two points need to be stressed in this regard. First, there is need for evolving a long-term policy for the sugar industry; the *ad hoc* policies evolved from time to time have done more harm than good because some of the fundamental problems facing the industry have remained untackled. Second, whatever policy decisions might be taken for the next sugar season, the industry is facing grave problems today and something needs to be done to restore it to health instead of allowing it to slide downwards through increasing losses.

Mr P.K. Kanoria, president of the Indian Sugar Mills Association (ISMA), has made two suggestions for pulling the industry out of its present crisis. First, he has recommended that the price of levy sugar should be raised, and second, that the excise duty on free sale sugar should be reduced from 28.5 per cent to 11 per cent. While the industry may be able to survive the serious crisis it is facing during the current year if these suggestions are accepted, the ISMA is guilty of adopting a faulty approach to the problem. Controls, partial or complete, are a hindrance to the orderly growth of an industry and the sugar industry is no exception in this regard. The scheme of partial decontrol cannot operate smoothly in the current situation when supply of sugar far exceeds demand.

It was ISMA's implicit acceptance of this scheme which had brought on the present crisis because it enabled the sugarcane growers to receive extremely remunerative prices for sugarcane leading to extensive increase in area under this crop. If the market forces had operated freely, there would have been only a reasonable increase in area under this crop, leaving the rest for such crops as pulses and oilseeds in which the country is highly deficient at present.

The partial decontrol of sugar leaves alone the khandsari and gur producers which in a normal year crush more than half of the sugarcane grown in the country. During the current year, the excessive supply depressed the free market prices of sugarcane and the gur and khandsari producers took advantage of this situation as they are not under compulsion to buy sugarcane at a price fixed by the government. The moral of the experiment of partial decontrol is that it is no longer workable today and that complete decontrol is the only way out of the present situation. It is through complete decontrol only that the market forces will get a chance to establish a new equilibrium which will reduce the losses of the sugar mills, lower the area under sugarcane and allow the government to adopt a long-term policy in regard to the location of new sugar plants. For a long time it has been felt that the yield of sugarcane per hectare as well as the sucrose content have been higher in some of the southern and western states than in Uttar Pradesh and Bihar, and that the units in the latter states are old and inefficient, and therefore the industry should be moved away from these states in a planned manner but not much has been done in this regard so far.

The government is an interested party in this sad development in the sense that it derives every year an excise revenue of



Of course, some prices are falling !

more than Rs 150 crores. If sugar is decontrolled, the free market price of sugar will certainly drop though it will be significantly above the price of controlled sugar. Understandably it will create some discontent among consumers who have been used to receiving cheap controlled sugar, but keeping in view the long-term interests of the sugarcane growers, the sugar mills and the consumers, complete decontrol is the obvious and the logical solution. It is also only through complete decontrol that the government can hope to maintain excise revenue at a reasonable level. Otherwise, increasing losses of the sugar factories will endanger the receipt of excise revenue by the government.

Giving it wings

THE THREE-day seminar organised in the capital by the Board of Airline Representatives (BAR) on growth and professionalism in airfreight highlighted the various aspects of the growing exports by air from this country and the consequent savings in time and cost. In recent years, certain products from this country have been exported exclusively by air as the exporters have been keen "to get goods into markets at the right time and a competitive price". While air transport is surely the speediest way of carrying goods, it is considerably costlier than other modes of transport. It was in this context that the prime minister, Mr Morarji Desai, while inaugurating the seminar, had urged the BAR to hold down freight charges. He recognised the importance of air traffic in foreign trade but underlined the significance of efficiency in this regard which meant that "tasks should be done in the quickest manner with minimum disadvantages and as cheaply as possible".

sharp increase

The value of airborne exports of this country has increased sharply during the last five years. In 1972-73, the value of exports transported by air to various countries in the world was Rs 174.65 crores. By 1976-77, it had multiplied almost five times to Rs 840.43 crores. The percentage share of airborne exports to total exports rose from 8.86 per cent in 1972-73 to 17.00 per cent in 1976-77. The trend is unmistakably in favour of transport of export goods by air wherever it is economically feasible.

Mr Mohan Dharia, the minister of Commerce, recommended the adoption of the technique of "consolidation of cargo" to reduce transport costs. He said that like containerisation in shipping, it would impart increased reliability in the loading and security of cargo. The foreign trade of developing countries will receive a boost if the premier international airlines accord special treatment to air traffic cargo of these countries, Mr Dharia added.

Understandably, many a speaker at the seminar stressed the importance of market research in this regard. The leading airlines of the world have indeed been alive to the necessity of research and seem to have done sufficient homework on this subject. Mr David Coldman, head of Cargo Marketing, British Airways, demonstrated that he was fully aware of the size of the Indian market in so far as air cargo was concerned. For instance, he stated that all of the goat and kid leather exported to the USA travels by air. Also, 78 per cent by weight of cotton shirts and blouses exported to the USA go by air. In the case of all these goods, the speed with which goods can reach the consumers is of the utmost importance.

main markets

Analysing the exports of this country, Mr Coldman stated that the three most technologically advanced geographical areas of the world—the European Economic Community, the USA and Japan—consume 45 per cent of Indian exports. The Gulf countries buy nearly 15 per cent of the goods exported by our country. Basing his judgement on economic forecasts, he opined that these geographical groups of countries "will continue to provide the main potential for Indian exports for the next ten years". He was right when he added that "India will increase her share of this large market by offering the right goods at the right place and at the right time" since there is still a large amount of untapped potential.

That the foreign airlines have great faith in the export possibilities of this country was revealed by Mr J. Montgommery, representing Pan American. Discussing the importance of marketing a product, he said that Pan Am ferried its 747 F freighter from Tehran to Delhi in order to provide regular scheduled weekly through service from Delhi to Frankfurt and New York. In order to handle the freight on the ground in Delhi, Pan Am spends $ 134,000 a year besides investing

$ 248,566 in handling equipment. Mr Montgommery was however not sure if air freight rates could be cut in the coming years because of rising fuel costs, airport and airways users' charges, wages and all other operating costs of the airlines. Here he seemed to be on a weaker wicket because it has been proved in the case of passenger traffic that rising fares tend to shrink the size of the market and encourage the entry of enterprising operators who capture a part of the market with reduced fares. It is the competition offered by such operators which has forced the IATA members to reduce the passenger fares recently. There is certainly scope for cutting air freight rates which continue to be four to five times the cost of surface shiftment.

the hurdles

The participants in the seminar would have failed in their duty if they had not pinpointed the hurdles which tended to slow down the flow of air freight cargo. Three chief factors were listed. First, it was stated that export procedures and documentation involved a number of steps—as many as 30 according to one of the speakers. Second, lengthy export control procedures combined with peak demand conditions saturated available warehouse space. A sample survey revealed that as against one day of processing time for export cargo at European airports, the average time at airports in this country was 4½ days. As against three days of storage time for import cargo, the corresponding time at our airports was 25 days. Third, the men on the spot enforcing the necessary government regulations are sometimes not given the resources to accomplish the job in the way which will satisfy the airlines, forwarders and shippers. That concerted action is needed to tone up the organisational and administrative machinery at the airports to promote this country's exports hardly needs to be emphasised. For this, the best model to adopt is the one practised at the Heathrow airport in London.

Mr J.F. Blunt who was appointed in 1964 to professionalise the air freight traffic at Heathrow (London), gave a graphic account of the manner in which the rapid rise in cargo traffic was systematised. Besides providing improved terminal handling facilities, computerisation on a large scale was initiated. The improved terminal handling facilities for cargo coupled with data processing assisted in coping with the traffic. But the current facilities at Heathrow are inadequate to meet the challenge of the eighties and steps are being taken to draw up a new plan for the next decade.

All over the world, the cargo terminals are being built and rebuilt to accommodate an increasing volume of cargo. Most airlines are also conducting studies to forecast the expected increase in traffic so that necessary warehousing facility is made available to importers and exporters. Special efforts are being made to instal such machinery as expedites loading as well as unloading of goods so that the pressure on the available warehousing space is minimised. All forward-looking airlines are adopting new container handling systems and are also pressing into service special trucks equipped with roller beds. While massive investments are being made by the airlines in such planes as Boeing 747, the DC10 and the Airbus, matching investment in ground facilities are absolutely necessary for coping with the freight carried by these huge carriers. Through the United Nations agencies and the international trade organisations, standardization on the information side is also being planned so as to reduce paper work in foreign trade carried out through aeroplanes.

In our country, Bombay (Santa Cruz) is fast developing into a major airport for foreign trade. In 1976-77, exports valued at Rs 454.43 crores were airfreighted from here; the value of imports entering the country through this airport was Rs 330.26 crores. The next in importance are Palam (Delhi), St Thomas Mt (Madras) and Dum Dum (Calcutta) respectively. Keeping in view the emerging trends in foreign trade, the facilities at these airports need to be improved, especially those relating to warehousing and storage. Unreasonable customs procedures also need to be simplified so as to increase the pace of movement of goods, thus relieving the pressure on the available storage capacity.

Eastern Economist 30 Years Ago

AUGUST 6, 1948

No one can feel happy today about the manner in which the country's cloth has been administered in the last six months. But what is impor ant is that we should learn from past mistakes and not that we should rest content with finding scapegoats and with the reckless discharge of abuse and vituperation all around. The incidents that have occurred reflect, to our mind, no credit on anyone and it serves less than no purpose for the pot to call the the kettle black. We think it extremely unfortunate that the Government communique which has been issued on the subject seeks to place all the discredit for these happenings on industry and the trade when much of the responsibility must in any fair assessment of the case be its own. In the law of perjury, there is a convenient section which provides that if an accused has made on oath two contradictory statements, it is not necessary in order to convict him to prove which statement was false. If a similar test were applied to the Government of India, it would be found guilty without any issue being raised on the merits of control or decontrol. It has done both in the course of six months and one or other of its decisions must be wrong.

To leave the matter there would be convenient but will help neither the industry nor the country. There are a large number of people who are genuinely anxious to understand the true issues in this case and, if democracy is ever to work in this country, it is necessary not only that they should understand it but that they should exercise their full judgement on the merits of principles which have been applied.

CAPITAL'S CORRIDORS

R. C. Ummat

Economic trends • Nuclear policy • Mineral producers' pleas

DESPITE THE bright prospects for the current kharif crop and a significant improvement in the past couple of weeks in the power supply position, thanks to good rainfall so far, the government is exercised over the current price trends, the low rate of industrial growth and the export performance during the last six months. A clear evidence of this was available last week when after a preliminary exchange of views between the prime minister and his three cabinet colleagues—the Finance minister, Mr H.M. Patel, the minister for Industry, Mr George Fernandes, and the Commerce minister, Mr Mohan Dharia—it was decided to discuss the three issues and the related matters at a special meeting of the Economic Affairs Committee of the cabinet at an early date.

Although the official wholesale prices index (base 1970-71 = 100) currently is slightly lower than the level obtainable a year ago and has also shown a smaller increase since April compared to the increase during the corresponding period last year (it had gone up by 1.6 per cent during the three months to June, 1978, as against 2.3 per cent during this period last year), yet the firmness in the prices of some essential commodities and the growing shortage of various other items is not considered to be healthy.

Considerable shortages have been experienced for some time in regard to some categories of steel, cement, coal and pulses. The latest to join this group are rubber, paper and several industrial raw materials. Apart from pulses, the prices of various other food articles, particularly condiments, eggs, fish, meat, milk and milk products and fruits and vegetables have recorded substantial increases over the past 12 months. Among foodstuffs, the only two major products, besides cereals, the supply position of which is comfortable and whose prices have been well contained are sugar and vegetable oils. This is because in the case of cereals and sugar, the stock position is not only comfortable but even embarrassing, and in the case of edible oils, large-scale imports have already been arranged.

Various steps have been initiated to meet the situation either by liberalising imports or through concerted efforts at increasing domestic output. Already imports of slightly over half a million tonnes of scarce categories of steel have been arranged and sizeable quantities of cement are being imported. Imports of 20,000 tonnes of soda ash and 15,000 tonnes of rubber have also been authorised. The other imports which are likely to be necessitated by shortfalls in domestic production vis-a-vis the growing demand are being identified. The improvement in the power supply situation is expected to contribute towards augmenting supplies from the domestic sources. The government, however, is prepared even to step up imports if the situation warrants

As regards pulses, the increased output during the kharif season as a result of good rains as well as the steps initiated a few months ago is expected to ease the situation to some extent. But even in this case, besides effecting imports to the extent possible, discrete efforts are to be made to build up some buffer stock from the indigenous supplies. In the case of the recent rabi crop, the NAFED and the NCCF are stated to have already built up a stock of about 42,000 tonnes through commercial purchases.

It is felt that despite the above efforts, the trends on the prices front and the availability of goods in the market will have to be very closely watched.

So far as industrial production is concerned, some steps have already been taken by the ministry of Industry to raise the rate of growth to 7 to 8 per cent this year. These were reported in this journal a couple of weeks ago. But in the light of the latest assessment that the rate of industrial growth last year did not exceed 3.5 per cent, instead of 4.5/5 per cent estimated about a month ago and even a higher rate expected earlier, it is felt that some more steps will have to be taken to boost this output. Efforts have been intensified to meet the coal shortage in various parts of the country, which has been acting as a serious drag on industrial production. The bottlenecks that have developed on the railway system are being ironed out through close coordination between the various economic ministries.

export performance

As regards exports, provisional data reveal that although the year 1977-78 witnessed a trade deficit of the order of Rs 580 crores, exports have tended to go down significantly in the recent months because of various reasons. These include adoption of protectionism by developed countries, continued recessionary tendencies in the world economy, steady weakness of the dollar, the low unit-value realisation in the case of certain products, deliberate policy of the government in stopping exports of mass consumption items so as to subserve the domestic needs, congestion at ports, etc. It is feared that if exports do not pick up soon, the trade deficit this year may be more than double of the last year's figure as imports have been liberalised substantially. The latest steps to liberalise imports with a view to stepping up industrial production and exports, which were announced last week, have been reproduced in the Records and Statistics section of this issue.

Against the growing shortages of various commodities, the supplies of which, as stated earlier, are being augmented either

by the initiation of measures to raise domestic output or through imports, a disconcerting fact which appears to have had some bearing on the price level (though officially discounted) is the expansion in the money supply with the public. During the three months to June 30, the money supply with the public had expanded by as much as Rs 1,376 crores (approximately 7.5 per cent). The expansion during the corresponding period last year was of the order of only Rs 771 crores. During the 12 months to June 30, the expansion in the money supply has been to as large an extent as Rs 2,891 crores, as against Rs 2,133 crores during the previous 12 months. Some efforts have been made recently by the Reserve Bank to decelerate the growth in money supply. These have resulted in the total supply going down from Rs 19,538 crores on June 9 to Rs 19,378 crores by June 30. Even then the rate of expansion so far this year has been nearly double than last year. Serious thought is being given to this issue also.

* *

Replying to a half-an-hour discussion in Lok Sabha last week on the ban of nuclear explosions decided by the government of India, the prime minister, Mr Morarji Desai, clarified that this ban did not cover nuclear blasting for mining, oil and water purposes. Such blasts, he emphasised, could not be considered nuclear explosions. They were for limited purposes of peaceful uses. He, therefore, had not barred such blasts.

The prime minister, however, further clarified that care had to be taken that even these blasts did not create environmental hazards. If they did, he did not favour them. Attempts, he added, were being made to avoid environmental hazards even in the case of use of nuclear energy for generation of electricity. This use, he said, was worth taking resort to only if it did not create any hazards to environment. Otherwise, other methods, which would be safer for mankind, would have to be found out in the energy field.

Among the of peaceful uses of nuclear energy, the prime minister mentioned power generation, use of isotopes in industry, medicine and agriculture and production of new varieties of seeds through radiation. Research for these uses was not barred under the nuclear policy of the present government. It did not involve any nuclear explosion as such.

Mr Desai clarified in Rajya Sabha last week that India had undertaken not to use the residual material produced at the Rajasthan atomic power station for the manufacture of any nuclear weapon or explosive device. This had been done under the safeguards agreement entered into with the International Atomic Energy Agency in November 1977, in connection with the securing of heavy water from the Soviet Union. This agreement bound India to apply multi-generation safeguards on the residual material produced at the Rajasthan atomic power station till the safeguards were terminated.

Mr Desai informed Rajya Sabha that the government proposed to set up a plutonium reprocessing plant at Kalpakkam, near Madras. The details in this regard were being worked out. The indigenous uranium production, he said, was sufficient to meet the requirements of the Rajasthan atomic power station during its life time. As regards the Tarapore power station, import substitution efforts were being made and techno-economic studies for substitute fuel were being conducted. India, he emphasised, did not propose to produce enriched uranium presently used at Tarapore.

Of the four heavy water plants sanctioned so far in addition to Nangal Fertilisers, one at Tuitcorin has started production this month. The commissioning of two more units, one at Talcher and the other at Kota, is expected in February and May next year, respectively. The fourth project at Baroda, which had suffered a setback due to mishap to machinery, is likely to be commissioned in the third quarter of 1979. It is expected that heavy water from domestic sources would be available for the Madras and the Narora atomic power stations which are currently being set up. It is also proposed to put up some more heavy water manufacturing units during the next 10 years to meet the future requirements of the nuclear power programme.

With a view to increasing the availability of atomic minerals, namely, uranium, thorium, columbium-tentalum, beryllium, etc., in the country, the government has already launched a three-pronged programme. It includes: (i) hastening of sub-surface examination of the promising uranium occurrences where core drilling and underground development work is currently progressing so as to assess their size, grade and economic viability; (ii) intensification of exploration efforts with the idea of discovering fresh deposits of atomic minerals in various areas still remaining unexplored by extensive ground and air-borne surveys using the latest geological, geophysical and geo-chemical techniques; and (iii) strengthening of the instrumentation and analytical facilities to back up the exploration efforts.

The areas where sub-surface exploration by core drilling has already been started include the Bodal-Bhandaritole and the Dumhat-Jajawal-Garia tracts in the Rajnandgaon and Sarguja districts of Madhya Pradesh; Astotha, Loharian and Khya in the Hamirpur district of Himachal Pradesh; Ingedinala in the Tehri district of Uttar Pradesh; Bagjata and Gohala in the Singhbhum district of Bihar; and Anek and Gomaghat in the Garo Hills and the Khasi Hills districts of Meghalaya. Similar investigations are likely to start during the next five years

at Sibal in Hamirpur district, the foothills of Darjeeling Himalayas and Walkunje in the South Kanara district of Karnataka, and other localities depending upon the results of the surveys.

Exploration so far carried out by the atomic minerals division has placed the country in a reasonably comfortable position in regard to nuclear raw materials. As for uranium, one mine at Jaduguda is under production. Another deposit at Bodal is fairly at an advanced stage of exploration. Work has recently been started in the Jajawal and Astotha-Khya areas where core drilling coupled with underground work is in progress.

* *

The plea of the Federation of Indian Mineral Industries that private mine-owners and merchant exporters should be allowed to supplement the efforts of the Minerals and Metals Trading Corporation (MMTC) in respect of exports of manganese ore deserves to be sympathetically considered in view of the fact that these shipments have been steadily going down in the recent years. The federation feels that, despite the current recession in the world steel market, private parties can undertake exports of some types of manganese ore required by foreign importers in small quantities which the MMTC might be inhibited from undertaking.

The federation, of course, has no objection to fixing floor prices in the national interest and also putting of ceiling on exports with a view to conserving resources to cater for the long-term requirements of our steel industry. Yet a little more flexibility in the government's policy, it thinks, can yield wholesome results and the exports of manganese ore can be stepped up to about a million tonnes from approximately seven lakh tonnes currently.

The raising of the ceiling for exports, the federation opines, is warranted in view of the fact that in its judgement, our manganese ore resources are not as low as assessed by the government. Against the governmental estimate of recoverable resources of the order of 79.5 million tonnes as on January 1, 1975, the federation's assessment is that they are as large as 294 million tonnes.

The federation has called for evolving a well defined policy for exploiting the mineral resources of the country. Both the public and the private sectors have a useful role to play in this regard. The current practice of some state government corporations taking out mining licences and not implementing them for long periods, it feels, is not in the best interests of the nation. It amounts to pre-empting the exploitation of resources by the state.

This federation has suggested that in order to ensure enhanced participation of private sector, the government should encourage the existing mining units and/or prospective entrepreneurs by ensuring that in case their activities are in conformity with the mineral policy and the rules and regulations thereunder, they would be assured of continuing their activities in their leaseholds. Such a step will motivate the lessees/entrepreneurs to intensify the proving, beneficiation and industrial programmes in their respective areas. Should the government, however, consider it essential not to renew the lease, the federation says, it should give the existing lessee at least five years' notice in advance of its intention of not renewing the lease.

Encouraging trends in gem and jewellery exports

R.B.L. Garg

The exports of gems and jewellery have gone up considerably during the past few years but there are problems in the industry which need to be sorted out for it to hold its position in world trade. The author who is a lecturer in Post-Graduate Department of Business Administration, MSJ College, Bharatpur, says there is urgent need for more intensive mining, cheaper credit and modernisation of processing in the industry.

FROM ANCIENT times the hand-crafted jewellery from India had adorned the crown of many a monarch. Gods and goddess, kings and queens were decorated with rarest and finest pieces of jewellery of the times. The delicate and dazzling art of cutting and polishing diamonds and precious stones and working out exquisite patterns out of gold and silver has made the craft of the Indian goldsmith and jeweller well-known in many distant lands for centuries. India has had the proud privilege of giving the world such rare diamonds as the Kohi-Noor, the Orloff, the Great Moghul, Sancy Hope, Shah, Florentine, Nassak, Regent etc, which have created history.

Even though we held a proud position in the past as producer of gems and jewellery we failed to retain it due to several reasons—more particularly due to exhaustion of mines and our consequent dependence on foreign sources for raw material. After a long time, however, India has once again emerged as one of the major exporters of gems and jewellery. With a view to helping boost the export of diamonds, precious stones and jewellery the government has abolished the import duty of five per cent on rough diamonds and 45 per cent on rough semi-precious stone[1] which hitherto were acting as deterrants giving rise to the smuggling of these items. The government's decision to sell gold will also boost the export of gold jewellery.

The current trends of export of gems and jewellery have been very much encouraging, thanks to the all round efforts of the Gem and Jewellery Export Promotion Council and the government. Table I gives the trends of India's exports of gems and jewellery during the last five years.

There has been a 75 per cent increase in the gem and jewellery export from Rs 236.67 crores during April 1976 to February 1977 to Rs 415.46 crores in the same period in 1977-78. Diamonds have accounted for more than 86 per cent of the total exports of gems and jewellery. The next important item was precious/semi-precious stones with nine per cent share of the total exports. The other items accounted for about five per cent of the exports. The fall in the export of precious and semi-precious stones by Rs 1.91 crores from Rs 22.34 crores in 1976-77 to Rs 20.42 crores during 1977-78 has been attributed to a worldwide shortage of rough stones and lack of proper quality.

POINT OF VIEW

There are 67 importing countries of India's gems and jewellery. The major importers, however, are the United States and Belguim followed by Hongkong, Japan, France, Singapore, Switzerland, the UK, West Germany, Israel, Netherlands and Australia. Table II shows India's exports of gems and jewellary to 12 major markets during 1975-76 and 1976-77.

As is evident from Table II the United States is our biggest market but India's exports account for only 10 per cent of her total imports of gems and jewellery. Belgium is the second biggest but in 1977-78 it raced to the first position among the importing countries of Indian diamonds pushing the USA to the second position.[2] (The break up for 1977-78 is not available).

For most of its raw material, the industry has to depend on foreign sources as the indigenous supply is limited. There is shortage particularly of such items as rough diamonds, precious and semi-precious stones, synthetic stones and raw pearls, which are imported from foreign sources, and re-exported after cutting, polishing, processing and even studding them. The supply of raw material comes from the Diamond Trading Corporation in London through the Bombay jewellers who in turn supply it to the various units. Other sources of supply of rough diamonds are the open markets of Zaire, Antwerp etc. Belgium is one of the main suppliers of raw diamonds. Table III shows the import of raw material and the share of rough diamonds in the total import.

As is clear from Table III the share of raw diamonds in the total imports has been more than 80 per cent. For the import of rough diamonds, the DTC (UK) continued to be the most important supplier in 1977-78 also. In April to December 1977-78, the DTC supplied Rs 91.98 crores worth of roughs and Zaire worth Rs 45.92 crores. The DTC supply in 1976-77 was only Rs 65.87 crores whereas Zaire supplied Rs 40.16 crores worth of roughs. Belgium's supply of roughs in April-December period of 1977-78 was only Rs 42.42 crores but is expected to rise substantially from this year.[3] The recent visit of Belgian Foreign Trade minister and the talks held with the Indian diamond industry have brightened the prospects for further strengthening the Indo-Belgian trade in diamonds.

While it is true that the exports of gems and jewellery have gone up considerably

during the last five years yet there is no reason for complacency in the matter. To retain this position and refurbish our image, adequate publicity of our capacity is necessary. The popular image of Indian gem cutting is that of a traditional industry using old-fashioned tools while the fact is that the country's lapidarists have the best machinery. Despite our being the third largest gem exporting country, we are less known for gems and jewellery than a country like Sri Lanka. And while India is the only country which knows how to set jewellery in jade, yet jade is synonymous with China. It is because of the very small publicity budget (it being at a bare Rs 20,000 annually) that our standing in the trade is not properly appreciated. It is important to publicise the fact that India cuts the world's best emeralds and can process, bleach and drill pearls, that 'minakari' jewellery is an Indian speciality and that only Indian craftsmen know how to set jewellery in jade.

Of several problems the industry is faced with, important ones are: (1) shortage of raw material, (2) problem of finance and credit facility to exporters and (3) lack of modernisation. Shortage of raw material is the biggest problem the industry is faced with due to the very meagre indigenous supply. The DTC which fulfils 60 to 70 per cent of our requirements of raw diamonds, supplies us only small sized diamonds earmarking the bigger ones for the importers like the United States, Belgium and Israel. It is this agency that has brought India the ill repute of being a specialist in 'makables' (polishing and cutting)—an insult to a country that has produced some of the most priceless gems that glitter majestically in museums around the world. All the diamond mining countries—including South Africa which produces 80 per cent of the total world output of raw diamonds—and the USSR, have made agreements with the DTC to sell their raw material and it being a monopoly organisation regulates the prices by controlling the supply.

TAB'E II

India's Export to the Major Market

(Rs lakhs)

Country	1976-77	1975-76
1. United States	6442.86	3423.67
2. Belgium	5965.55	1775.58
3. Hongkong	3917.42	1891.63
4. Japan	2787.92	1483.89
5. Netherland	1487.60	247.92
6 Switzerland	1307.60	528.95
7. Singapore	864.26	550.36
8. UK	238.55	509.77
9. France	823.05	520.17
10. Israel	662.96	216.91
11. West Germany	584.27	333.32
12. Australia	234,96	135.15

TABLE III

India's Import of Gems and Jewellery

(Rs crores)

Years	Total imports	Imports of rough diamonds
1973-74	74.00	66.00
1974-75	53.00	47.8
1975-76	83.90	80.00
1976-77	NA	184.30
1977-78	NA	297.16

Source: For 1973-74, 1974-75 and 1975-76 *The Economic Times*, December 25, 1977, and for 1976-77 and 1977-78 *The Economic Times*, May 4, 1978

It is heartening that the number of sights for India has increased. Due to shortage of funds Indian jewellers cannot get liberal supplies from the DTC. Bank finances for the exporters are available at as high a rate of interest as 11.5 per cent. This goes up to 14 per cent if the credit is allowed beyond the 91 days. Thus the problems of shortage of raw material and finances have to be solved by increasing the indigenous output of raw material and liberalisation of credit. The experts are of the view that diamonds can be mined in certain areas of Kashmir, Rajasthan and Madhya Pradesh.[4] According to Mr Jawahar Lal Rakyan, chairman of Gem and Jewellery Export Promotion Council, if we mine with earnestness we need not have to be dependant on imports. He is of the opinion that mines in Panna, Kollu and the the exhausted mines of Golconda will yield more and better quality of diamonds if serious efforts are made.[5]

The setting up of the Indian Diamond Institute at Surat in May last will fulfil the long-felt need of training the person-

TABLE I

Export of Gems and Jewellery 1973 74—1977-78

(Rs lakh)

Items	1973-74	1974-75	1975-76	1976-77	1977-78
				(April to March)	
Diamonds (cut and polished)	8468.35	7336-63	9908.00	23104.89	38484.84
Precious/semi-precious stones	1347.01	1373.24	1878.00	2233.86	2042.23
Pearls	182.84	92.39	352.00	190.83	217.30
Gold and jewellery (set and unset)	34.38	76.50	90.00	196.01	417.41
Non-gold precious metal jewellery (set and unset)	34.88	240.76	85.00	71.48	114.52
Imitation jewellery	294.33	415.18	500.00	NA	NA
Synthetic stones (cut and polished)	68.30	11.34	156.00	15.86	23.93
Total exports	104439.09	9546.04	12969.00	23667.00	41546.00

Source : 1973-74; 1974-75; 1975-76—DGCIS, Calcutta
1976-77 and 1977-78 (from April to Feb), *The Economic Times*, June 25, 1978

nel in modern technique of diamond processing and marketing and for managing diamond cutting and polishing units within the country. It is imperative that our gem and jewellery industry soon changes from the traditional methods of diamond cutting and polishing and adopts modern techniques. The Indian Diamond Institute can play a very useful role in this respect. The recent move to set up the Hindustan Diamond Corporation in collaboration with DTC, London, should be welcomed. Though the corporation is primarily meant to facilitate the supply of rough diamonds to small-scale processing units, it is to be hoped that it will also enable the country to negotiate and import the right type of roughs to compete with countries such as Israel, once we have modernised our cutting and processing units.

It is only recently that some feeble attempts have been made to sponsor trade delegations to study global markets and identify consumers' preferences in Iran and the Gulf countries besides major markets such as, the United States, Belgium, Hongkong etc.

References

1. The *Statesman*, May 25, 1978
2. The *Economic Times*, May 4, 1978
3. —ibid
4. The *Economic Times*, May 15, 1978
5. *Financial Express*, May 5, 1978

Impact of irrigation on crop acreage in UP

Niraj Kumar Gupta

The author, who is associated with the Institute of Economic Growth, Delhi, has attempted an assessment of the impact of expansion of irrigation facilities on the crop acreage in Uttar Pradesh. For the purpose of his study he has divided the state into three regions, western, central and eastern UP. He has observed that the regression coefficiency of irrigation variable diminishes from 0.89 for east UP to 0 47 for central UP and 0.41 for west UP.

IRRIGATION FACILITIES in the country have expanded considerably since independence. In point of fact, one notices an accelerated expansion in irrigated area with the completion of each five year Plan. Among the numerous benefits flowing from irrigation, increase in multiple cropping is now of considerable interest when the planners are seized with the twin problem of generating expansion of wage goods, of which food is the foremost in the consumer's basket.

The purpose of this article is to size up the impact of expansion in irrigation facilities on the crop acreage, which is measured in terms of the official statistics published under the head 'gross cropped area'. The investigation is confined to the state of Uttar Pradesh and the period covered is 1950-51 to 1972-73. In view of the large size of this state and its distinct regions, the analysis has been disaggregated to a regional level. The regions considered are: western Uttar Pradesh, central UP and eastern UP, all of which belong to the Gangetic plains. District-wise analysis has also been attempted for the 15 districts of east UP. The two regions of Bundelkhand and Himalayan hills have been excluded on the presumption that clearing of forest in these two regions has contributed much more to expansion in crop acreage than has irrigation expansion. Because of this a unit expansion in irrigated area in these two regions is accompanied by more than a unit expansion in cropped area—1.92 in hill region and 1.59 in Bundelkhand region. This is a pointer to the need for working out impact of irrigation on crop acreage from a comprehensive model like the following one:

$$A_t = F\,(I_t, D_t, P_t, F_t,)$$

where A is gross cropped area;

I is gross irrigated area;

D is population pressure on land;

P is rainfall, including snow precipitation; and

F is area under forests and culturable waste lands

't' is time suffix.

In model (1) one may expect the following properties:

$$\frac{\partial A}{\partial I}, \quad \frac{\partial A}{\partial D}, \quad \frac{\partial A}{\partial P} > O$$

$$\frac{\partial A}{F} < O,$$

$$\frac{\partial D}{\partial P} > O, \quad \frac{\partial F}{\partial D} < O, \quad -\frac{\partial I}{\partial P} < O$$

Because of paucity of information it has not been possible to assess the contribution of irrigation to crop area expansion with the help of the model (1). Our results are based on the following model:

$$A = a + b.\,I + c.P \qquad (2)$$

However, it is believed that the assessment is not materially affected, as the regression coefficient 'b' does not suffer from any serious over-estimation in the case of alluvial plains having little scope for bringing under plough culturable wastes or shrub and forest lands. To some extent the over-estimation arising from the omission of 'D' and 'F' variables is balanced by under-estimation arising due to the fact that long-duration crops such as sugarcane, which come under cultivation in the wake of perennial irrigation facilities, understate real expansion in land utilisation over the three crop seasons of a year.

Sources of data for this exercise are :

(i) Indian Agricultural Statistics, published by the Directorate of Economics and Statistics—ministry of Food, Agriculture, Community Development and Cooperation, government of India.

(ii) Bulletin of Agricultural Statistics for UP, published by Joint Director (Statisties), Directorate of Agriculture, U P.

(iii) Rainfall data has been collected from Statistical Abstract of India, published by Central Statistical Organization, government of India.

Region-wise Results:

Region-wise regression results are presented in Table 1. Regression result for east UP are as follows:

$$A = 5452^{*} + 0.87^{*}\cdot I + 0.12\ P.$$
$$(11.26) \quad (3.93) \qquad (0.61)$$
$$R^2\ 0.48, \bar{R}^2 = 0.43$$

where figures in brackets are t-values and

esterisk mark indicates statistical significance at one per cent level.

In view of the statistical insignificance of rainfall variable, it has been dropped from regression analysis and the new regression relation is as follows:

$$A = 5528^{*} + 0.89^{*}\,I,$$
$$\quad (12.00) \qquad (4.12)$$
$$R^2 = 0.47, \quad \bar{R}^2 = 0.44$$

The coefficient of multiple determination, namely, R^2 is not high, mainly because of the omission of variables which could account for seasonal and cyclical fluctuations in the dependent variable. Normally, rainfall variable should have played this role. Its statistical insignificance could be due to sizeable errors of observation in its measurement, as well as our failure to take care of distribution of rainfall within a year. For these reasons, it has been considered prudent to drop rainfall variable altogether from our regression results.

secular rise

For east UP one can say 'that expansion in irrigation facilities by one unit, say one irrigated acre, has been accompanied by about 0.89 acre secular rise in cropped area during 1950-73. One may, however, ask: why is the expansion in crop acreage less than a one-to-one correspondence? This brings into the seasonal character of the irrigation facilities coming into existence. If irrigation facility is available only in a crop season when natural rain/snow is enough for the growth of a crop, the impact of irrigation would be primarily in the shape of stabilisation of farm output or more intensive agriculture. Cropped area may increase in the subsequent crop season, for which residual moisture left by irrigation of the preceding crop enables the raising of an additional crop. To illustrate, residual moisture left on a heavily irrigated kharif paddy field having water-retentive soil may enable a farmer to raise a rabi crop like gram or peas whose water needs are low.

Irrigation has maximum impact on cropped acreage if it is available during dry months of summer or winter when crops have very low probability of maturing without artificial irrigation or natural subterranean irrigation. It is found that irrigation facilities in east UP are available primarily in rabi season. As one moves westwards irrigation is increasingly available during kharif season. More importantly, need for irrigation during kharif season increases as one moves from the high rainfall eastern plains to the low rainfall semi-arid western plains. Thus, we observe that compared to 17 per cent of irrigated area being under kharif crops in east UP about 22 per cent is in central UP and 31 per cent is in west U.P. Accordingly, one notices that the regression coefficient of irrigation variable diminishes from 0.89 for east UP to

TABLE I

Region-wise Regression Results

Region	Estimate of a	Estimate of b	R^2	$\bar{R}^2$
Central UP*	3368 (17.40)	0.47 (1.74)	0.16	0.12
Eastern UP	5528 (12.00)	0.89 (4.12)	0.47	0.44
Western UP	6511 (28.79)	0.41 (5.36)	0.60	0.58

Note: Figures in brackets are t-values *Year 1961-62 is excluded from the analysis because data for this year is not reliable.

TABLE II

Temporal Regression Results

District	Estimate of a	Estimate of b	Correlation coefficient	R^2
Allahabad	50*	0.94*	0.62	0.38
Pratapgarh	276*	0.23	0.14	0.04
Jaunpur	331*	0.23	0.09	0.01
Ghazipur	198*	1.23*	0.77	0.59
Ballia	334*	0.52**	0.41	0.17
Gorakhpur	496*	0.72*	0.70	0.49
Deoria	462*	0.69*	0.69	0.48
Basti	690*	0.29**	0.42	0.18
Azamgarh	318*	0.99*	0.67	0.45
Faizabad	344*	0.42*	0.64	0.41
Gonda	427*	2.15*	0.62	0.38
Bahraich	555*	1.17	0.22	0.05
Sultanpur	191**	1.66	0.48	0.23
Varanasi	417*	0.75*	0.74	0.01
Mirzapur	276*	1.91*	0.58	0.33

*Significant at one per cent level of significance. **Significant at five per cent level of significance.

.047 for central UP and 0.41 for west UP. More precisely, the regional and state-wise regression results are as follows:

Region	Coefficient of irrigation (I)	R^2
West UP	0.41*	0.60
Central UP	0.47**	0.16
East UP	0.89*	0.47
Whole UP	0.61*	0.51

* significant at one per cent level
** significant at five per cent level

District-wise results, which pertain to the period 1949-50 to 1970-71, are quite tentative because necessary information for four years, viz. 1952-53, 1966-67, 1967-68 and 1969-70, could not be compiled for a variety of reasons. While one finds significant positive correlation between crop acreage and irrigation in all districts other than Bahraich, Pratapgarh and Jaunpur, one comes across a regression coefficient of irrigation greater than unity in the case of Ghazipur, Gonda, Sultanpur and Mirzapur districts. These results are summarized in Table II. The main cause for the lack of a significant impact of irrigation factor on crop acreage in the case of three excepted districts is the absence of any steady upward trend in irrigation variable itself.

As regards the four districts showing irrigation impact on crop acreage greater than unity, this phenomenon can only be explained in terms of incomplete regression model used in estimating the impact. As a consequence expansion in crop acreage due to changes in non-irrigation factors e.g. (i) clearing of Tarai areas, or (ii) forest areas in the case of Mirzapur district which mainly belongs to the Vindhyan Plateau instead of the Gangetic plains, (iii) reclamation of 'Usar' lands, and (iv) more intensive use of land, especially, 'Khaddar' or riverine lands, due to increase in population pressure on land, gets erroneously attributed to irrigation variable in our simple model. Because of these considerations one cannot read very meaningfully among the inter-district variations in impact of irrigation on crop acreage expansion.

Role of multinationals in industrial integration

Jack N. Behrman

The author, who is associated with the university of North Carolina, asserts that multinational enterprises are a new means to new goals. These enterprises are able to meet conflicting and converging aims involved in the pursuit of international industrial integration. Their adaptability is demonstrated by their ability to operate in both socialist and capitalist countries. If properly stimulated, they can maintain a high level of invention and innovation.

WINDOW ON THE WORLD

OVER THE several thousand years of recorded history, economic units have expanded the nature and scope of their economic integration until presently on the international scene there are a variety of types and levels of integration, providing varying benefits of productivity arising from the advantages of specialisation. In all cases, this specialisation takes the form of differences in products or processes, leading to differences in costs or qualities. Increased specialisation means increased economic integration, which has occurred through exchanges of completely different types of products (agricultural or industrial); products at different stages of production (raw materials for finished goods); capital for commodities (loans, leading to delayed exchanges of goods or grants); technoly for goods, or technology for technology, or technology for capital, and most recently, transfers of multiple factors at the company level (through direct investment and under consortia). Quite sophisticated types of integration are arising which tie companies in different countries together and which also spread out specific activities of an individual company among geographic locations around the world. Thus, integration is occurring through processes of convergence and divergence, or coalescing and dispersing of specific and particular activities among and within Trans National Enterprises (TNEs).

Although some supporters of TNEs, and company officials themselves, have noted the contribution of TNEs to closer economic integration among nations; others deplore this result and seek policies (such as joint-ventures) which impede it. The thrust of this article is that the ME-form of TNE is uniquely capable of achieving desired international industrial integration—but only if governments adopt policies that permit or elicit appropriate activities by the TNEs. Otherwise, public policies are likely to pull the ME apart, destroying its integrating characteristics.

International integration is not merely desirable from the standpoint of increasing total production around the world, but it is also necessary to pressing problems of poverty, energy supply, hunger and disease, which are not readily met by individual countries acting alone. The wealth-generation and asset-management required to meet these problems also require greater markets than are found in many countries by themselves. An effort to maintain economic isolation leads to low standards of living which prevent eradication of these economic and social problems.

Several modes of economic integration have been used over the past centuries. One form has been that of bilateral exchanges—requiring one-on-one trade-offs under which each party is seeking to maximise its gains. This form remains today and is increasing in some sectors. The other end of the continuum is the mode of multilateralism, under which the free market is supposed to determine the international division of labour and specialisation; government interferences are to be greatly limited, and the objective is the maximisation of the aggregate gains for world economy.

multi-bilateralism

The inability of some countries to gain equitable (acceptable) shares of the gains has led to a modification of these two approaches into what is known as "multi-bilateralism", under which multiple bargains are made by one party with several others, and the net results of these balanced against other negotiations to limit the number of participants in the exercise. This has led to regional integration under which generalised rules are applied to a small number of countries, with the rules determined by the multilateral negotiation among the members.

Throughout and within each of the above four approaches, TNEs have moved to establish the location of production and the allocation of markets under a variety of governmental guidelines. The criteria which companies use in the determination of their international operations are not necessarily the criteria which would most please the governments involved. This conflict arises from the continued lack of concert among the governments as to the relative importance of maximising the size of the pie compared to the individual

slice (share) received by each. The activities of TNEs—through their various integration modes—do in fact significantly determine the location of industrial activity around the world and therefore the patterns and direction of trade and the benefits in employment, technology, balance of payments, tax revenue, etc, received by the separate nations. The ability of companies to locate and relocate industrial activity according to changing criteria or economic conditions around the world has reinforced governmental propensities toward altering comparative advantages or interfering in market mechanisms so as to achieve particular national goals.

political pressures

The propensity of governments to interfere—sometimes in response to vested interest within the economy—is reflected strongly in the agricultural sector but also within particular industrial sectors. The pressures of agricultural groups have forced unique supports for agricultural activities within each country but also gained protection against sources of agricultural products.

Similarly, national security interests have supported the desires of extractive and energy sectors to obtain governmental support. And some sectors are seen as so critical (key) with reference to a variety of national goals that they have been extended substantial protection.

The protection helps to set (or "warp", depending on one's proclivities) the structure of the international division of labour, thereby determining the nature and extent of international economic integration. Consequently, it is clear that governments have considered economic integration too important a relationship to be determined other than by governmental policy.

The remainder of this article is an assessment of the extent to which multinational enterprises—a particularly integrative form of the TNE—can be used to achieve the particular type of international industrial integration desired by governments. But before coming to this point, we will have to look at the directions in which governments are moving on national industrial development so as to determine the likely next steps in international industrial integration. From this, we can determine the more appropriate roles for the multinational enterprises within overall policy. At present, governments do not seem to be attacking the problem from this direction, and are consequently developing inadequate policies through continued efforts to rectify unacceptable distribution of the gains from international economic growth by altering the international division of labour. And they seek to do so without an adequate understanding of the means available.

A new element in governmental attitude towards international industrial integration has arisen from the increasing domestic pressures for governmental responsibility on a large number of economic and social developments. The role of government has expanded exponentially over the past few decades, leading to various forms of national economic planning for the purpose of increasing and maintaining high levels of employment and improving labour skills, the achievement of a variety of social welfare goals in the area of housing, urban improvement, personal security and industrial safety. In addition, there has been increasing pressure for price stability, regional dispersion of economic development within countries as well as among them; and pressures for environmental protection or the reversal of environmental degradation. All of these have forced the governments to become concerned with the structure, level, and location of industrial production, and the processes whereby these products are manufactured.

international interference

Given this increase in domestic responsibilities, governments have increasingly sought to reduce international interferences in the pursuit of the above goals. Changes in exchange rates, shifts in the balances of international payments, international movements of labour, capital and technology—all produce disturbances in domestic plans and progress. Governments feel a necessity to dampen these disturbances while at the same time increasing their opportunities to expand into foreign markets. The effect of these conflicts is to cause governments to seek to alter the nature and extent of international industrial integration. By some tactics, they reduce it, while seeking to increase it by others. These pushes and pulls are causing shifts in the focus of governmental policies, leading to the consideration of a new set of governmental approaches—called industrial policies.

In the postwar world of 1945, a major objective of the US government was to achieve a world economy guided by a set of overall rules which would create a world economy that would maximise aggregate production. The Bretton Woods Agreements, implementing the basic rule of "non discriminatory, multilateral trade and payments," were to be made operative through the establishment of stable exchange rates, reduction in barriers to trade, and the expansion of capital movements (both governmental and private).

new behaviour

The continued breaking of these rules and their final rupture in 1972, through the floating of the dollar, has led to a new pattern of behaviour which is only tenuously tied to any set of international rules. We have lost a "guiding principle" by which to direct the various nations toward an agreed goal of international economic integration. The proliferation of non-tariff barriers and orderly marketing agreements has led to the protection of industries, reorienting the location of industrial activity according to national government objectives—which are often in conflict. Consequently, the international flow of capital has been dampened, in order to employ capital locally to meet pressing domestic problems. Even technology transfers have become suspect on the part of some advanced countries, where there is a concern for the employment effect of the transfer of technologies overseas. Finally, industrial development has been stimulated both in the aggregate and in the specific, with the consequence of altering the international division of labour from what would have occurred under either free-market or Bretton Woods rules.

This is not to say that present governmental policies are in error. It is simply to stress that there has been a shift in the orientation of governmental interests

away from aggregate economic relations to quite specific problems, including a focus on specific industrial sectors reflecting a greater concern for relative *shares* than total output.

The location of specific industrial activities has become a paramount issue within and among governments This has long been the case within industrialised countries.—as seen by the efforts at the state level—as well as the regional level—to alter the location of industrial activity. Similar efforts have been undertaken among countries, with incentives applied to local industry also being made available to foreign enterprise. The effect has been to pull industry into locations where they otherwise might have not gone or to alter the distribution of benefits from the location of industry where it otherwise would have gone.

Specific policies have been adopted by some countries to move industry to where unemployment exists, rather than moving labour to locations where industry might best be gestated. Such a policy is determined in line with a variety of socio-politico-economic objectives; and without a complete concept of international economic justice, one cannot condemn any government for adopting the policies that it does. However, any set of policies can be criticised as not achieving effectively the goals sought. Since international economic integration is an avowed objeetive, this argument is directed at the means of its achievement.

related policies

What is stressed here is that a variety of indutrially-related policies are being adopted without an adequate assessment of the impacts on international industrial integration. To make such an assessment would require a careful examination of the distribution of costs and benefits and their comparison which would have to be examined would include the desirability of preserving particular capital investments (as compared to making them redundant or obsolete), of maintaining particular technical advantages (or disseminating them around the world), of altering the agricultural/industrial product mix, of creating particular poles of sectoral development (in order to accelerate the gestation of secondary and tertiary industry), of distributing tax revenues among parties involved, of regionally dispersing industry within and among the countries, and gestating R&D activities. With an examination of these activities and impacts, a better evaluation could be made of the present policies and the need to alter them.

Few governments, however, have industrial policies which would have been carefully examined. Japan comes to mind as the country most advanced in this area, followed probably by France, with Maxico and Brazil far behind and Korea stiil further away. Those not in this list have hardly begun embryonic industrial policies, though they are adopting numerous policies which directly and indirectly affect the location and level of industrial activity.

the Andean pact

In addition, there are numerous efforts at regional and international policies—none of which can be considered full blown and only one of which has been given lengthy and careful thought—that of the special industrial repartition agreements under the Andean Pact. The regional industrial integration policies are required, was recognised early in the Central American Common Market agreement, but the approach employed within it to set up "integration industries" was not successful. The Andean Pact recognized that a new approach was needed, and adopted that of industrial sector agreements under which specific segments of each of 14 industries would be allocated among the member countries. These integration agreements were supposed to be implemented by the formation of regional multinational enterprises under the ownership of nationals or governments. Despite years of careful negotiation, the means of implementation have not been forthcoming. The ASEAN group has sought to accelerate industrial integratlon throughout the region, but again it has not found the most appropriate mechanism. The European Community has turned recently towards new forms of cartelisation to strengthen industrial ties within and among countries so as to achieve greater competitive strength in the international economy, leading to a new form of industrial integration. The UNCTAD members are urging a redeployment of industry from the advanced to the developing countries so as to give the latter a chance to establish new forms of comparative advantage. And the OECD countries have yet to focus adequately on this issue.

In fact, many of the OECD countrie have rejected the concept of "industrial policies" as being too specific and too great an interference in company decisions—this is particularly characteristics of the US government. However, others, such as France, the UK and Italy have begun to adopt *ad hoc* policies in key sectors, and there is some argument favouring the formulation of European industrial policies in critical sectors. One gets the impression, however, that there is a lack of understanding as to the nature of industrial policies and how they might be carried out.

To be effective at both the national and international levels, industrial policies will have to encompass a number of different aspects of economic life. Since the primary objective is to alter the international division of labour, the first step involves the selection of specific industries to be fostered or encouraged in specific locations. These decisions, if taken at only the national level, will automatically involve the international economy, thereby altering comparative advantages and the benefits of international economic integration.

industrial infrastructure

The second aspect involves the provision of appropriate infrastructure for the particular industrial development sought at the national and international levels. It is often the case that industrial infrastructure is built and then industry is sought to use it. Or, alternatively, industry is attracted without a full understanding of the infrastructure needed to make it successful—as appears to have been the case in the Italian Mezzogiorno.

A third aspect involves the encouragement of the use of the appropriate technologies and their generation through appropriate types of R&D activities. Given

an objective of international industrial integration, transfers of technology will need to be facilitated, or constraints imposed only in line with the objectives of the specific international division of labour sought. At the same time, that guidelines are employed in the area of research and technology transfers, promotional techniques will be required for innovation in leading sectors, to prevent stagnation through too-highly structured or guided sectoral development.

A fourth aspect is the determination of the appropriate levels of concentration and structures of rationalisation of industry within each sector. Competition among companies at the level of international economic integration is quite different from that among companies within a national economy and national and international competition policies would need to be modified to take into account the nature and structure of inlernational industrial integration. Correlative with this shift is one related to the role of state-owned or mixed companies within a "rationalized" structure of international industrial integration—as well as their use as "national champions" in helping to lead particular sectors in desired directions.

amelioration of impact

Finally, policies would need to be directed toward an amelioration of the impacts of industrial policies on both sectoral and regional employment levels. Policies to mitigate those effects would involve relief of pressures from redundancy and redeployment, so as not to force the burden of these policies on labour—in one or several countries.

In order to apply policies in each of the above areas, it will be necessary to recognise fully that—like recent policies breaking away from the Bretton Woods guidelines—industrial policies are based on a selective approach to the international division of labour. That is, the "aggregate, nondiscriminatory" approach-is replaced by a "selective, discriminatory" principle which would distinguish among various claimants and entrants into specific sectors. Recognition of this principle would be seen by many as retrogression, but by others as simply a realistic assessment of where we are. To put such a principle into effect, without distroying the advantages of some specialisation, requires a mechanism which is both integrative and discriminating. Fortunately, the multinational enterprise is just such a mechanism.

transnational enterprises

A policy confusion has arisen over the characteristics of transnational enterprises which has prevented many governments and international organisations from distinguishing the several forms of international companies according to their unique characteristics, impacts and contributions. Only one of the several forms produces a high level of international industrial integration—that form which uniquely should be called the "multinational enterprise." Companies in the extractive sector (distinguished from the processing, fabrication and manufacturing stages in metals and minerals) must locate where the resources are. Other companies locate in a host country to serve the local market out of local production (the service sector, retail outlets and many manufacturing companies). They are "integrated" primarily through the flow of capital and technology, frequently with a minimum of trade in goods, either components or final products. These companies are found particularly in the developing countries, where the barriers to trade and the movement of capital are high, and costs are so high as to prevent profitable exports. Although these companies accelerate economic development in the host countries, they are not integrative in the sense of increasing international specialisation. Rather, they create duplicating production facilities.

Only the multinational enterprise—that company which seeks to locate production where it can achieve the least cost operations, resulting from economies of scale and serving the world market from the least-cost location, under a common strategy determined at the centre—accelerates international industrial integration. However, not all MEs operate under identical decision criteria around the world. Nor under identical market or political conditions.

The objectives of the multinationals to achieve least-cost production in integrated markets are readily seen in their operations in Europe, with the formation of the Common Market, and more recently in their increased integration of operations between North America and Europe. There are even beginnings of integrative activities throughout the OECD countries, including Australia and Japan. These activities are recognised in significant shifts in the organisational structure and operations of the multinationals as well as in their decision criteria. They also respond to governmental guidelines in reforming their structures and altering the nature of production and trade, if clear and consistent signals are given.

Governments are concerned, however, that the decisions of these companies will tie national economies more closely together than governments desire or in ways which do not reflect the national interests. It follows, therefore, that only with governmental guidelines will the integrative effects be in accord with governmental objectives. The formation of such guidelines will constitute industrial policies. But few governments have formulated such policies and their specification at the national level will make more difficult the setting of an OECD industrial policy.

barriers to investment

It is even more difficult at present to use the multinational enterprises in the pursuit of North-South industrial integration simply because of the present barriers to investment and trade. However, if the developing countries could be convinced that the distribution of benefits from the activities of multinationals would be acceptable—providing "reciprocity"—they might be more willing to open their economies and achieve greater levels of efficiency. A few of the Latin American countries (Mexico, Columbia, Brazil) have begun to recognise that these companies are ready mechanisms for opening markets in the industrial countries, they have adopted policies which encourage exports to advanced-country markets. These policies include subsidies to exports or penalties which can be removed through

appropriate export efforts. These are a beginning, but they are a costly and inefficient beginning as far as the world economy is concerned.

The multinational companies are also an excellent mechanism for achieving industrial integration among the developing countries themselves. As with the experience in Europe, if the Latin American countries had been willing to open their economies to foreign competition from within the region, they would have found the multinationals quickly developing specialised activities and expanding trade. Contrarily, governments insisted that although they desired high levels of regional industrial integration, they would not permit the benefit to accrue to the multinational enterprises. There seemed to be a lack of recognition that rules could be set which would achieve both high levels of efficiency and an equitable distribution of benefits. In fact, a few companies offered industrial repartition arrangements to several Latin American countries, but they were rejected.

The ability of the multinational enterprise to locate various parts of its operations in different geographic areas, to "balance" its exports and imports, to rationalise its capital sources and movements, and to locate revenue according to governmental guidelines makes it an excellent mechanism for responding to governmental concerns as to both efficiency and equity. Not to take advantage of these unique characteristics is to miss an opportunity to pursue the objectives of international industrial integration—which is sopported by word, if not deed, among almost all countries of the world.

cooperative efforts

New approaches to the multinationals will be required also by the fact that there are numerous problems which would yield only to cooperative efforts on the part of several countries. These include the problems on international pollution, seabed exploration, aerospace exploration, regional developments such as in the Chaco Valley in Latin America and the Mekong Delta in Indochina, hunger in the Sahel, improvement of health, satellite communication, energy needs, etc.

Where such cooperative solutions are required, the ME-form of international company is adaptable in meeting governmental guidelines. A set of procedures laid down by governments would permit individual companies or consortia of MEs to bid for multi-government contracts—such as under the NATO co-production arrangements—to achieve economic objectives otherwise not attainable. These projects would require new cooperative management structures, with both private companies and governments involved; they would require intricate negotiations as to the tradeoffs among efficiency and the equitable distribution of benefits and costs; and they would require the maintenance of high levels of innovation. All of these can be achieved through use of the multinational enterprises—but concerted effort on the part of governments will be required.

new approaches

Worldwide problems require worldwide institutions, and there is simply an absence of intergovernmental institutions which can carry out projects in the economic/commercial area. The multinational enterprise is ideally suited for this, but governments will not permit any such company to resolve problems of this sort on its own—nor would the companies try to do so. Cooperative efforts are required, and the mechanisms are available. New approaches and new policy-orientations are needed; to generate the appropriate effort will first require recognition of the usefulness of the ME in meeting these problems.

One of the difficulties in making a new departure such as is suggested is that the criteria of acceptability of any new institutional arrangements are complex. This departure is a move into the area of political economy—and the criteria cannot be reduced to the simple one of market efficiency. In addition to the economic criteria of efficiency and maximisations of production, the political criterion of appropriate participation in decision making must be added, as well as the social criterion of equity in the distribution of benefits, alongside of the cultural criterion of autonomy and diversity, and even the ecclesiastical criterion of creativity represented in R&D and innovating activities, which demonstrate man's ability to attain higher levels of understanding.

Presently, the institutions of capitalism are strained, as is shown by the increasing incursion of government and the desire of international (and national) companies to achieve legitimisation through increased "social responsibility" activities. The present argument is based on an analysis that new mechanisms are needed for new national and economic goals, and that the achievement of the new goals will in fact legitimise the mechanisms employed. If, therefore, the MEs wish greater legitimisation, they should help find ways of addressing their efforts to the new international problems—including that of international industrial integration. They can do so without losing desirable levels of flexibility, innovation, competitiveness and motivation—but only if they help governments set appropriate guidelines. Otherwise, governmental guidelines will be employed to break, rather than mould, the multinationals—who are seen as having too much power and influence on economic and political life.

lack of understanding

The pressure against the multinationals is enhanced by the inclusion in the assessment of TNEs countries which were not themselves formerly acquainted with capitalism except as colonies, and which have socialist leanings at present. Although the socialist alternatives have not resolved the basic economic and social problems, neither have the multinationals shown how they can effectively cooperate in meeting them.

It is the thrust of this presentation that the multinational form of international company is able to make a number of trade offs within its company structure so as to meet conflicting and converging goals involved in the pursuit of international industrial integration. These companies have many affiliates in a variety of countries; they have many different product lines within and among countries; they are frequently involved in quite diverse industrial sectors within a single conglomerate; they operate in multiple fashions and multiple markets; and they draw factor inputs from among a variety of

sources—both geographically and among different stages of industrial activity. Consequently, having multiple options, they have the ability to make numerous trade-offs which would satisfy competing interests of governments—under cooperatively determined guidelines.

Their adaptability is demonstrated by their ability to operate in both socialist and capitalist countries—in both democratic and dirigiste regimes. And they can do so while maintaining a high degree of competition among themselves, so as to avoid the danger of cartelisation. Finally, they can maintain a high level of invention and innovation, if properly stimulated by the contractual arrangements permitted or offered by governments.

Without the use of the unique characteristics of the multinationals, the search by governments for greater gains from industrial progress will produce a new form of mercantilism, with the consequent danger for high level employment and economic growth. To prevent this governments need to recognise the ME as a bridge from the concept of the free-market to that of "organized free-markets"—that is, as part of "the solution" rather than "the problem".

The deutschemark turns thirty

Prof Wilhelm Hankel

Current disturbances in the world's exchanges, characterized by the weakness of the dollar, have brought out prominently the strength of the deutschemark, probably the most successful of the 100 or so new post-war currencies. In this article, reproduced from the* German News *(published by the Press and Information Office of the Federal Republic of Germany, New Delhi), Prof Wilhelm Hankel analyses the 30-year old success story of the present D-mark in terms of the chequered history of a currency which has been born or reborn three times in the past 100 years.

As if it had heeded the Mephistophelian advice "You must try thrice," the deutschemark was born three times in the past 100 years:

• In 1873, when Bismarck, the Kaiser's "Iron Chancellor," using the mark as an economic link between the politically loosely united German peoples, reigning dukes and their individual currencies, made the mark the first uniform German currency since Charlemagne.

• In 1924, following the collapse of the empire, the only realist among Weimar Republic politicians, Gustav Stresemann, put an end to the economic suicide of passive resistance in the Ruhr and its financing through the money presses. Stresemann thus provided a basis for monetary stabilisation in the transition from the so-called *renten* to the reichsmark.

• In 1948, a year before the Federal Republic of Germany came into being, long-forgotten monetary experts of the occupation powers boldly rid the Second German Republic of the Hitler era's most dangerous heritage: the paralysing flood of billions of worthless paper marks that checked all economic activity.

This enormous money supply was the inevitable consequence of financing a war (for the second time) through the presses rather than with taxes.

The Germans were told little about the intended measure by the occupation forces. Adenauer knew nothing, while Erhard and the leading members of the issuing bank board were "permitted" to draft plans for the wastepaper basket.

But "economic miracle" minister Erhard was called upon to sell the new measures and see them through against all opposition.

The Germans who are proud of their deutschemark today owe this to the forgotten officers of the occupation forces. They are also indebted to them for having been spared the fate of the Weimar Republic: coming between the millstones of an inherited war-engendered inflation and an inevitable stability crisis such as that of the 30s.

The currency reform of 30 years ago uncompromisingly destroyed the surplus liquidity that had formed during the war. But in all other trading nations inflation went on because they either failed to skim off excess liquidity or did so half-heartedly. This provided the stability of the new post-war mark, perpetuated to this day.

What does the 30-year history of the deutschemark teach us?

• First, that anybody who engages in monetary policy also charts a major political course be it wittingly or unwittingly, The founding fathers of the deutschemark determined Germany's fate for decades—if not longer—in two ways.

Thirty years ago, western and eastern monetary officers were unable to agree on a common course of action in liquidating the Hitler war, and two currencies of the same name emerged on German territory: the deutschemark west and the deutschemark east.

the hardest currency

• The second element of "major politics" coincides with the birth of the deutschemark: none of the creators of the currency suspected that the newcomer would soon become one of the hardest international currencies.

The deutschemark (west) was conceived as a legal tender aided neither by a colonial or imperial past nor victory in one of the two world wars.

Shortly after coming into being, the deutschemark (west) was worth 23.8 US cents (1949). Today it is worth twice that figure, half a dollar. This is a whole "quarter" more, notwithstanding the fact that prices in the Federal Republic of Germany are rising as they are in the rest of the world.

This was not due to the work of wes-

tern authorities or agents. On an intra-German plane, things that became obvious internationally only five years ago (since the March 1973 decisions) have been obvious for the past 30 years: by foregoing any control over foreign exchange rates, as was customary with gold cover and before the abolishment of the Bretton Woods monetary system in 1973, the free exchange rate becomes the criterion of success or failure of monetary policy.

The free exchange rate thus becomes the "ballot" through which users of money show whether their faith rests with the deutschemark (west) or the deutschemark (east) or with the US dollar, the pound sterling, the yen or the Swiss franc.

The deutschemark has no inflation problems, nor does it have any problems with the balance of payments. Its destiny is its international strength—a strength which would have no adverse effect as such which could cause trouble in a world in which everybody—be it state or investor —can use any currency at will and employ it in the manner he considers right, be this false or not.

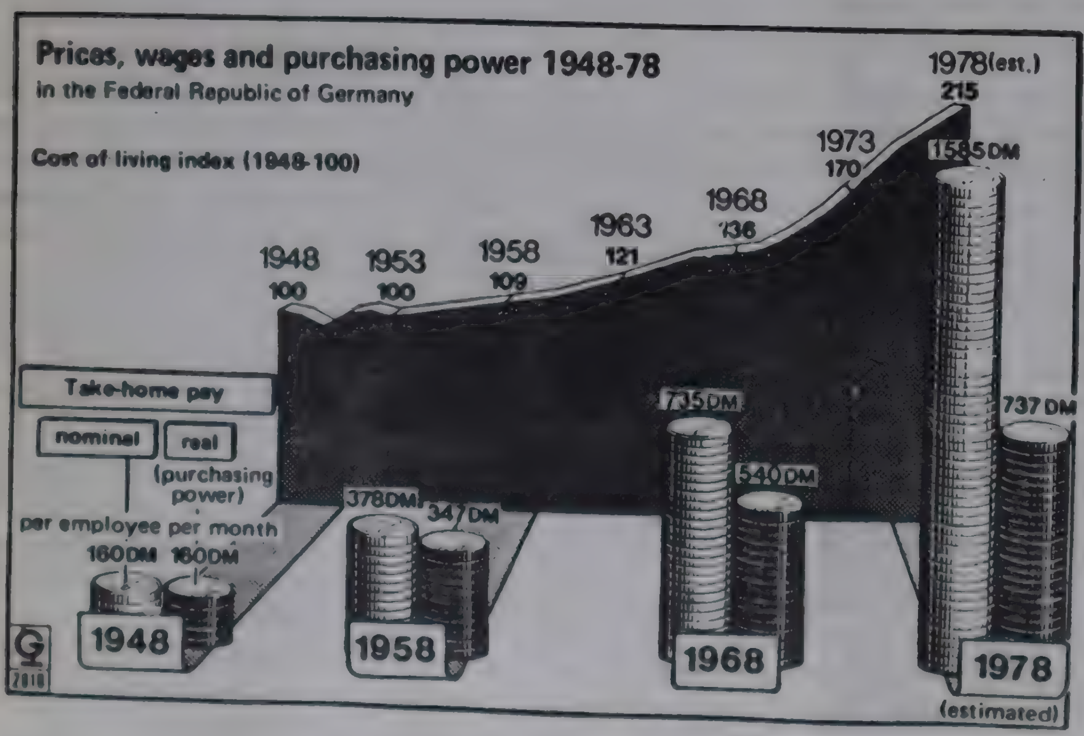
The monetary experiment on German soil 30 years ago is still having worldwide effects—those creating currencies open up new frontiers. As the German example shows, these are not only monetary but political as well.

The deutschemark (west) and deutschemark (east) are only two conspicuous milestones on the ever-lengthening road towards monetary splintering and disintegration. While the world and its markets are coming closer and closer, becoming increasingly integrated, the monetary landscape is becoming ever more motely.

The famous Bretton Woods monetary agreement which, in 1944, created the basis for 25 years of unprecedented postwar prosperity was signed by the representatives of 32 currencies, while today the number of currencies floating more or less freely competing with each other is about 150: while the world markets are growing ever larger, the currency regions are becoming smaller and smaller.

Whether official policymakers admit it or not, the deutschemark is already a reserve currency for all other states and private investors whose domestic currencies are rated lower than the deutschemark and there are plenty of them.

As a result, the deutschemark (west) is still facing what other currencies have painfully behind them: to become a sort of "world money of merchants," like the US dollar or the pound sterling.



Today, this entails "only" the danger of an uncontrolled appreciation. But tomorrow the dangers could be incomparably greater; there could be an uncontrolled devaluation. It is this which, in 1973, put an end to the Bretton Woods dollar standard and in 1931 to the pound sterling gold standard of the era between the two world wars.

In the final analysis there are only two rads out of this dilemma.

The major currencies must agree on more or less similar yardsticks of domestic monetary stability, which—alas—is unlikely during this century; but should this happen nevertheless, international users of money and investors would be guided less by their subjective fears and their monetary preferences than by objective and calculable productivity and yield differences. This would provide peace on the capital and exchange rate front, even without major monetary problem-solving efforts.

stable world money

The second possibility is that it becomes possible to halt the progressive monetary disintegration. This could happen by removing regional monetary borders along the lines of the once more topical European monetary zone, which would solve the problem of coordinated stability policy on a smaller, and therefore perhaps more efficient, regional scale, though experiences to date are not particularly encouraging. Or one could perhaps risk after all the experiment with a stable controlled "world money" issued on a non-governmental basis by a central bank of central banks.

But this super central bank would have to curtail the inflation scope of the trading partners and once and for all prevent the old cycle from repeating itself (that the relatively best money is finally ruined from without—and by no means from within—by some violator of the stability regulations).

If the next 30 years of the deutschemark are to take nearly as fortunate a course as the first, an international stability agreement is a must. And as long as this is lacking more than just economic summits will founder.

MOVING FINGER

The Shahanshah of Iran, Arya Mehr, Reza Shah Pahlavi, may be earning it the hard way, but he is earning fast. Time was—and this was not very long ago—when His Imperial Majesty believed and said that the Iranian state was an expression of the bond that tied the people to their monarch. Now he is saying that his country's polity must soon come to express the will of its people. To resurrect or reconstruct ancient empires from the rot or rubble of history is never very easy and peacock thrones must duly become museum pieces. It is not only the American economy which has found oil flammable. The political system in Iran is also feeling the heat. It goes to the credit of the Shah that he is rising to the occasion. The greatness of the man—and he is undoubtedly a man of great accomplishments—is to be seen in this. With the mental agility so characteristic of him he has realised in time that he is no longer dealing merely with the nuisance of a hole-and-corner terrorism which could be identified simply with ideological extremists or fifth-column saboteurs, but with a surge of national unrest reflected only partially in the riots and clashes which have shattered for ever the serenity of his authoritarian rule.

The Shah is probably justified in his claim that the violent demonstrations against his regime, the most recent of which is reported to have claimed 40 lives in the holy city of Mashhad, pose no threat to the security of the state but it is clear enough that his dream of a dynastic continuity of absolute monarchy has been confronted by the awakened reality of national dissent. It is indeed ironical that, even as his country's riches of oil money have been feeding his vision of imperial power and glory and his plans of building the military might of Iran as an arbiter of the political alignments or the security needs of the Gulf region, they have also been nourishing a ferment in the minds of the Iranian people which has become a catalyst of political developments, not altogether unpredictable. Most Iranians can smell an abundance of bread and butter while many Iranians are already having a generous taste of it. The French might have made their Revolution of 1789 on an empty belly, but challenges to authoritarian regimes could issue more effectively from a full stomach. The dispossessed and the deprived are always easier to govern. In this sense there has been no more impressive evidence of the considerable success of the Shah's tremendous effort to develop and modernize the economy of the country than the pressure now being exerted on him by the political currents in Iran to share his power with the people.

The two houses of parliament have voted to repeal the MISA. A famous victory, no doubt. But has the war been really won? The MISA became unbearable because its use during the emergency exposed many prominent people and a large number of political workers to police brutalities and the harshness of prison administrations. It could be tempting to believe that public opinion was aroused against the MISA because its employment negated the civil liberties of ordinary men and women or their fundamental rights, such as the right to life or the protection of the due process of law. Actually, however, the MISA excesses of the emergency were irrelevant to the basic issue of the common man's title to immunity to arbitrary or illegal oppression by the police apparatus of the state.

Take the travails of Nagammal, a peasant woman from a village in the South Arcot district of Tamil Nadu, which were narrated by her before the one-man authority set up by the state government to conduct an inquiry into emergency excesses. Nagammal was tortured to the uttermost limits of human endurance after she had been taken into custody on trumped-up charges at the instigation of influential men in her village to whom she had given offence by bringing their illegal activities to the attention of the authorities. Her husband was also beaten up and savaged cruelly in many ways, while their daughter, a 16-year old girl, was gang-raped in a police lock-up for a number of days.

Nagammal's ordeal co-vered a period stretching from the pre-emergency to the post-emergency days and the inquiry authority ruled that his terms of reference restricted him to the incidents of the emergency. Now comes another horror story, this time from Bihar. Reading like a page from Belsen, this narrative refers to what happened to 143 prisoners, most of them under-trials at Saraikela sub-jail in Singhbhum district between 1973 and 1975, which was a pre-emergency period. According to a report presented in the Bihar legislative assembly on July 18, 296 prisoners were lodged in the jail which had a capacity for 82 only. Because of the conditions of their detention and the treatment they received, 143 of them met with death—17 in 1973, 106 in 1974 and the rest in 1975. The killers, as formally identified, were diarrhoea, dysentery, tuberculosis and malaria.

The real criminal, however, was the prison administration, which permitted such over-crowding, giving rise to disease-breeding, insanitary conditions, cheated the prisoners even of their meagre food rations, often left them with no option but to quench their thirst with drain water and denied them medical attention when they were gravely ill. The Inspector-General of Prisons, who must be one of God's good men, is reported to have admitted that the prisoners were not given "proper food in sufficient quantity" and that when they complained, they were beaten up. How, then, was the MISA relevant to or its repeal now significant for what the janata must always endure from the guardians of law and order?

VB

India in the year 2000

India in Perspective—Development Issues (Vol. I) : D. N. Basu (Editor); Arnold-Heinemann Publishers (India) Pvt Ltd, New Delhi; Pp 263; Price Rs 50.

India in Perspective—Development Issues (Vol. II) : A. Lahiri and R. Nagarajan (Editors); Arnold-Heinemann Publishers (India) Pvt Ltd, New Delhi; Pp 307; Price Rs 50.

Bureaucracy and Development Administration : V. A. Pai Panandikar and S. S. Kshirsagar; Centre for Policy Research, New Delhi; Pp 208; Price Rs 60.

The Challenge of Poverty : Nandini Joshi; Arnold-Heinemann Publishers (India) Pvt Ltd, New Delhi; Pp 101; Price Rs 25.

India's Export Strategy : P.N. Agarwala; Vikas Publishing House Pvt Ltd, New Delhi; Pp 384; Price Rs 65.

Indian Trade Unions—A Survey : V. B. Karnik; Popular Prakashan Private Ltd, Bombay; Pp 431; Price not given.

Reviewed by **Academicus**

THE SUBJECT 'limits to growth' has been receiving increasing attention the world over. The relevance of this subject for a developing country such as ours cannot be overemphasised. The significant questions which arise, especially in the face of rapidly rising population in the country are : Does India possess enough physical resources namely land, water and minerals etc. to sustain adequate growth over the next thirty to fifty years? How does India's population growth impinge upon the country's physical and financial resources? Would single-minded pursuit of high economic growth rates without simultaneous consideration of distributional aspect, help in eradicating mass poverty in India?

India in Perspective, a series comprising three volumes (of which two are reviewed in these columns) has been designed as an attempt to find answers to the above questions. Volume I consists of 12 papers on macroeconomic framework, consumption pattern and life style and population projections.

Since the commencement of planning, 'the next few years' have always appeared to be critical years from the point of future development of the country. Naturally this resulted in excessive reliance on short-range goals and policies, often resulting in neglect of long-range perspective of development. Though long-range goals were often articulated, they were not the outcome of detailed exercise in perspective planning. It is only in recent years that some attempts were made at fairly exhaustive calculations and appraisal of long-term goals and policies. This series makes an attempt "to work out some of the important parameters of growth until the year 2000 and thereby presents likely patterns of development obtaining under alternative hypotheses regarding these parameters".

BOOKS BRIEFLY

In trying to analyse India's future by the year 2000, the present study proceeds on the basis of four alternative assumptions : (i) High population-low economic growth; (ii) low population-low economic growth; (iii) high population-high economic growth; and (iv) low population-high economic growth. The low population growth assumption results in 911 million of population in the year 2000, whereas high population growth alternative takes India's population to 1026 million in the year 2000. The low economic growth route results in gross domestic product (GDP) amounting to Rs 125,000 crores in the year 2000; the high economic growth alternative pushes up the GDP to Rs 182,000 in the year 2000. Thus under the low economic growth alternative (which assumes an annual growth rate of 3.6 per cent), the size of the Indian economy will be more than trebled (with 1970-71 as the base) in the year 2000; under high economic growth rate (i.e.five per cent per annum), the size of the Indian economy in the year 2000 will be about four and half times its size in 1970-71.

the alternatives

As a consequence the per capita GDP (estimated at Rs 725 in 1970-71) might reach in the year 2000 under the above four alternative conditions the following figures: (i) Rs 1200; (ii) Rs 1400; (iii) Rs 1775; and (iv) Rs 2000. With low economic growth rate, net capital formation (estimated at about Rs 4700 crores in 1970-71) would reach the figure of Rs 20,000 crores and under high economic growth alternative, Rs 40,000 crores. This would mean that under the second alternative, the net capital formation in the year 2000 would be equal to GDP in 1970-71.

The different papers contributed by experts in the field focus attention on different aspects of the long range developments in the Indian economy; they also make an attempt to highlight major factors contributing to or retarding economic development of the country and associated issues like resource conservation, choice of technology, intersectoral balance and redistribution of income. A number of experts have tried to work out a collective exercise within an internally consistent framework.

As regards the capability of Indian agriculture to feed the growing population, the study estimates that the total

foodgrains requirements in the year 2000 would be around 230 million tonnes on the lower side and 280 million tonnes on the higher side.On the basis of assessment of productive potential of Indian agriculture, it is suggested that the lower estimate of requirement could be met even by extension of area under cultivation and extension of irrigation. According to the study, if likely changes in technology and their impact are taken into account, foodgrains production in India in the year 2000 might be around 375 million tonnes.

energy estimation

The demand for energy for commercial and non-commercial purposes is estimated at 200 million tonnes of coal replacement (MTCR). Demand for energy for commercial use will grow tremendously to over 800 MTCR under the low growth assumption and to over 1600 MTCR under the high growth assumption. India has adequate coal reserves to meet the rising demand, though the problem of producing and transporting such enormous amounts of coal would persist. As regards oil, if exploration and exploitation in continental and off-shore regions do not come up to expectations, imports would be required and would prove almost prohibitively expensive.

As regards transport, the study reveals that urban transport problems would be most difficult to handle. Still more serious would be the housing situation as about 100 million new housing units would be necessary on the assumption of low growth rate of population and about 125 million houses on the basis of high population growth assumption. This would mean that even in the year 2000, about 40 to 100 million households in the country would have no houses to live in!

Here lies the utility of this study. It has emphasised the staggering dimensions of many problems of which we are only vaguely aware but which we prefer to push under the carpet, instead of boldly facing them. The study also makes it clear that mere obsession with high growth rate of the economy by itself will not resolve most of the problems (such as those of housing, transportation, etc.) unless they are specially attended to.

Certain broad conclusions have been drawn on the basis of the analysis in this book. It is pointed out that "self-sufficiency, in the long run, is an integral part of development planning but need not be achieved in the immediate future at the cost of growth. "Further, besides the development of a strong capital base, productive efficiency will have to be increased through better management. The chosen technology has to balance itself in terms of capital-output ratio and capital-labour ratio. The role of agricultural sector would be crucial and increasing foodgrains production to meet demands of rising population is "a prerequisite for development in the coming one or two decades". Growth will have to be synchronised with equitable redistribution of wealth, if the problem of mass poverty is to be solved. (No attempt is made in this book to deal with the desirable pattern of income redistribution as that would require projections of demand patterns and production relationship at disaggregative levels.)

Studies in futurology such as this one have their limitations which must be kept in mind. All futuristic studies have got to work under severely restrictive assumptions and in the present-day dynamic world, longer the time-span, realities are likely to deviate considerably from the projections. And yet without such studies and broad projections in various important sectors of the economy, our efforts are likely to be without any direction thus disabling the society from squarely and successfully facing several problems when they arise in future.

RESOURCES POSITION

India in Perspective—Development Issues (*Volume II*) deals with important resources in the country such as minerals, metals, water and energy. Since these constitute very important and basic resources with vital bearing on the future growth-rate of the country's economy, it would be instructive to know what India's position in this respect is and what policies she should pursue so as to be able to face successfully problems likely to arise in the year 2000.

On the basis of analysis carried out by experts so far, it is concluded that the future of the mineral sector in India very greatly hinges on decisions taken today regarding its orientation. According to this study, "the totality of huge surpluses in iron ore, aluminium and gypsum, an ambiguous position for manganese and chromite, and deficiencies in copper, lead, zinc, tin, sulphur, rock phosphate and potash needs to be managed effectively for balanced development." It is pointed out that special attention will have to be given to conservation of surplus minerals because "the complacency arising from abundance leads to haphazard mining practices and relaxed foreign trade policies" At present, mineral raw materials constitute a major proportion of export consignment. It is suggested that for higher profitability in future, increasing exports of intermediate and finished products such as steel, instead of iron ore, should be the policy. It is also suggested that in the same way, imports of raw materials such as rock phosphate rather than finished products like fertilisers should be promoted.

alternative sources

In respect of minerals in which India is deficient, alternative sources of supply should be explored. In the case of some minerals, recycling and substitution will have to play a more active role. For example, it is suggested that substitution of aluminium and steel for copper, lead, zinc and tin will put increasing pressure on aluminium and steel. This would mean that to that extent aluminium and steel will continue to be the key mineral industries of the future. It is suggested that export oriented development of aluminium and steel industries is an imperative and should be carried out on a priority basis.

India, it is stated, has sufficient potential, both in conventional reserves and in those that are yet to be developed to provide for future growth. Whether the potential will be realised through efficient management and appropriate technological development will very much depend upon decisions and policies adopted by the government and also the people. On the whole, it might be said that "the perspective for minerals and metals is neither bleak nor very bright."

Exercises such as the ones analysed in the two volumes reviewed in these colu-

mns do not and cannot provide concrete models of development. Instead, their significance lies "in the identification of the more important factors contributing to development and, in turn their relation to issues of immediate policy relevance." The study, in short, is an attempt to articulate some aspects of India's long-term future and through this to reinitiate the debate: Where should we be going?

These two volumes consisting of a series of papers contributed by the staff and the consultants of the Operations Research Group, Baroda, will be found extremely instructive not only by the students of economics but by scientists, planners and policy-makers providing as they do distant sign-posts towards which the country will have to move.

THE LEVIATHAN

Developing countries all over the world are relying to an increasing extent on the bureaucratic apparatus for performing developmental activities. The problem is becoming more complicated because countervailing democratic institutions are weak, providing bureaucracy vast opportunities to occupy commanding positions. What is and should be the relationship between bureaucracy which is growing into a Leviathan and developmental functions, processes and democratic institutions? *Bureaucracy and Development Administration* is a critical study by V.A. Pai Panandikar and S.S. Kshirsagar which aims at focussing attention on bureaucracy's fundamental administrative dimensions especially in relation to development. The authors have analysed such aspects of the problems as the profile of the developmental personnel in terms of their demographic characteristics, nature and extent of the bureaucratisation obtaining in government agencies included in the study, working climate of these agencies, the extent of adaptation of the civil servants and the agencies in which they serve to their developmental role, and the relationship between the bureaucratic characteristics on the one hand and the requirements of the developmental role on the other.

There is no doubt that bureaucracy is bound to expand in future, every new state activity inexorably leading to greater bureaucratic growth and consequently bureaucratisation. Also, post-planning experience in India has clearly demostrated that developmental process can be greatly accelerated through state action. The success of developmental activities ultimately would hinge on management in the broadest possible sense. The authors have classified developmental activities into 'discrete' activities (such as building of roads, bridges, communications, dams, etc) and 'diffused' activities (such as education, health, family welfare, etc). The former are amenable to discrete organisational treatment; the latter are not, as they are people-based. It is this which poses basic problems to development management.

There appears to be certain inherent contradiction between bureaucracy and democracy. "The essential values of bureaucracy are hierarchy, status, secrecy, specialisation, rules and an unflinching obedience to authority." On the other hand, democracy is built around values such as egalitarianism, non-heirarchism, open discussion and above all dissent. But since democracy has not generally built democratic institutions for actual implementation or day-to-day management, it has to fall back necessarily on bureaucracy for execution of development projects.

the question

The question appears to be not whether or not we need bureaucracy but what type of bureaucracy. What type of modifications do we need in bureaucratic machinery, both structually and behaviourally?

From this point of view, the findings of the authors are significant. The authors have observed that as bureaucracy in India came face to face with developmental tasks (especially those requiring people's involvement), bureaucratic norms and values began to undergo a metamorphosis. There was a marked trend towards lessening the rigours of structural and behavioural patterns of bureaucracy. "The heirarchies became less rigid, the system of rules lost its deadly stranglehold. More importantly, behavioural values began to get radically changed. Impersonality became less rigorous and meeting needs of people became a little more important." This was especially so in respect of field agencies. In other terms, bureaucracy in India showed signs of dynamism. This gives rise to the prospect that traditional bureaucratic organisation in India is not beyond hope and that a well-planned adaptation could yield substantial results. As an organisational instrument, this bureaucracy can be modified and adapted to meet at least to some extent, the needs of development.

policy implication

The authors have also spelt out the policy implications of their above findings. It is obvious that bureaucracy will not be in a position to deliver the goods so long as it continues to retain its traditional characteristics. There are therefore different options before developing countries. One option is to transform the existing bureaucracy, at least at the higher level, by integrating it with the political system, as has been done in communist conntries and notably in China. Bureaucracy will have to be politicised and key bureaucratic positions will have to be manned by cadres of ruling political party. According to the authors, this is no easy solution in a country like India as it goes against "the grain of the neutral bureaucratic system which has been built in India since independence." They have therefore indicated a few options.

The first alternative could be "to design a bureaucratic system which seeks a greater involvement of the people in its work programme." This would mean designing a bureaucratic system in such a way that people's institutions are given more say in developmental functions. One way would be to further develop panchayati raj institutions as instruments of administration, rather than mere local political institutions.

Another approach would be to strengthen and support people's voluntary organisations wherever they exist, enabling them to play a greater role in development administration. Such voluntary efforts need to be encouraged, nurtured and supported as a matter of deliberate administrative policy.

A third possibility is the direct associa-

tion of people (through setting up of people's committees) with official agencies at key performance levels so that people have a direct say in programmes directly affecting them. This method could be used in a selective way, especially in the agricultural sector in India.

Reform of the bureaucratic system, structurally and behaviourally, appears inevitable. But the task especially in developing countries is not easy. The alternative chosen must not be less efficient and more corrupt and therefore worse than the one that is replaced. The path of wisdom appears to lie in gradually modifying the existing bureaucratic machinery in India and bring it in tune with changed social, political and economic environment. It was therefore extremely unfortunate that the work of the Administrative Reforms Commission could not be completed. V. A. Pai Panandikar and his colleague have shown the way we can proceed in this vital field on which hinges successful implementation of our plans and eradication of mass poverty.

LIVING TOGETHER

The author of the *Challenge of Poverty* has rightly emphasised that because of the growing international interdependence, few of mankind's pressing problems can have national solutions. Inflation, recession, pollution, unemployment, trade imbalances, exchange rate fluctuations, monetary instability, gluts and scarcities of various commodities are all international phenomena requiring international policies and solutions. She argues that these global problems cannot be satisfactorily solved in a spirit of confrontation between developed and developing countries or between north and south; the problems must be approached cooperatively and comprehensively. The interests of all nations can be furthered only by concerted actions of all nations: not by confrontation between different countries or groups.

Dr Joshi maintains that global strategy for development is "the contemporary world's most crucial challenge". Such a global strategy is needed to sefeguard the world economy, particularly for saving developing economies from economic shocks, to improve their access to capital and technology, for helping them to secure better terms of trade and easier credit, for helping them to secure increasing access to markets and value for their materials and products and higher benefits generated through expanding world economic structure.

the benefits

The United Nations with its vast institutional structure and programmes can contribute significantly in the fields of international finance, investment, debt, monetary system, development and employment, science and technology, energy and natural resources, oceans and outer space. International financial institutions can ensure benefits to developing countries in terms of deferred payments for imports of essential commodities, commodity assistance on grant basis, payments in local currencies, long term suppliers' credit on easy terms, financial assistance on concessionary terms, debt negotiations, investments in industrial projects and subsidising transit and transport costs. The World Bank can adopt a more liberal attitude towards financing of important programmes of development; and the IMF's proposed supplementary financing facilities should be designed to benefit developing countries.

The author has rightly emphasised that advanced countries have a special responsibility in helping developing countries in solving their problems. Advanced countries for example, can increase assistance to developing countries, help stabilise prices of raw materials and primary commodities, remove trade barriers and help improve terms of trade, transfer technological know-how, reschedule their accumulated debts or convert them into grants and thus help them develop their potentialities and help them to held themselves. The author has emphasised that not only the western capitalist countries but socialist countries also can cooperate in the above spheres and help developing countries to solve their multifarious problems.

The new-rich oil-exporting countries should play a special role in helping developing countries by investing their funds in these countries which with vast raw materials and labour supply provide better investment opportunities. The trend has already been set in this direction and it should be further facilitated by cooperation on both the sides.

Dr Joshi has done well to emphasise that the major breakthrough should come from developing countries themselves. Their excessive dependence on developed countries could be reduced considerably by rejecting the bipolar relationship that has prevailed so far and by evolving more mutual cooperation among developing countries themselves. The developing countries can gain much from such a collective self-reliance. These countries can do a number of things without having to negotiate with rich countries. For example, developing countries can enhance opportunities for their own development by promoting economic integration among themselves. There is scope for establishing exchange and trade relations among themselves. They can provide good markets for each other's goods.

economies of scale

Such regional common markets can result in economies of scale and of specialisation which have not been fully exploited so far. Programmes of mutual coopetation among developing countries can also include programmes in the fields of finance, credit, industry, shipping, transport, science and technology. There is an urgent need to draw up a concrete programme for cooperation among developing countries to accelerate the process of collective self-help. It is rightly emphasised that "cooperation among the developing countries may not be globally applicable in all cases and in certain cases viable regional or sub-regional cooperation might perhaps be more suitable. Although history may have kept countries in such regions apart, geography and economics can bring them together."

Dr Joshi has herself raised the question of how the change is going to be brought about. At present there seems to be a great deal of pessimism as negotiations in international forums have so far not produced expected results. But according to her, the pessimism is misplaced, if we take a historical perspective of the process

of change in the course of the struggle for political and economic liberation. This is a useful presentation of important issues in international economic relations since it provides a fund of statistical information in support of its well reasoned arguments.

EXPORT STRATEGY

In recent years, our exports have been gradually mounting. They scaled to new heights of Rs 5,000 crores, with a trade balance of Rs 72 crores in the year 1976-77. This is good as far as it goes; but it must be realised that we are not yet out of the woods and external imbalance is still very much with us. There is an urgent need of having an aggressive export strategy backed by various steps necessary for making such a policy effective and successful. The fact that India hit the export target of Rs 5,000 crores with a nominal trade balance of Rs 72 crores in the year 1976-77 must not make us blind to the realities that during the previous two years, the country faced massive trade deficits of Rs 1,100 crores per year.

It must not be forgotten that though our exports have trebled during the last six years, so have world exports during the same period (from $ 283 billion to $ 906 billion), and that India's share in world exports has been gradually diminishing and has come down at present to a bare 0.6 per cent. We must not be blind to the fact that in spite of 'the Bombay High', India for some time more will have to import crude oil to the tune of 15 million tonnes at an annual cost of Rs 750 crores and that the country needs about Rs 700 crores annually for servicing of her foreign debt now amounting to about 15 billion dollars to be paid in foreign currencies. This would mean that for many years to come, as against a nominal trade surplus of Rs 72 crores in 1976-77, India must generate a minimum export surplus of Rs 1,450 crores per year for debt servicing, amortisation and crude oil deferred payment credits.

P.N. Agarwala in his *India's Export Strategy* has addressed himself to this problem in a serious and business-like manner, drawing on his eminent scholarship. His analysis is based on his conviction that the task of pushing up India's exports and building up of required export surpluses is not only not impossible but is within easy reach of the country, provided planned and concerted efforts are made in this field, commensurate with the size and variegated resources of the country.

Mr Agarwala has rightly emphasised that the primary requisite for succeeding on the export front is "the creation of a sense of conciousness amongst wide sections of the people on the imperatives of such task." One is reminded of the campaign, "export or perish" which England launched during the post-war period. It is observed that many of the developed OECD countries are facing various critical problems such as rising labour-costs, pollution and high cost of anti-pollution measures which are mandatory, and rising energy costs especially since 1973. According to the author, these rapidly developing trends in developed countries of the west provide unique and challenging opportunities on the export front to India which has over the last two or three decades developed a diversified industrial base, fairly ample infrastructure facilities and has one of the largest pools of scientific and educated personnel.

suited to environment

Indian experience and expertise, especially in the field of low-volume production and intermediate technology which is less capital-intensive and more employment-oriented, it is argued, would be more suited to the environment in the 114 developing countries in Asia, Africa and Latin America, most of which are non-oil producing under-developed countries.

Attention has been drawn to many challenging opportunities for India in the spheres of joint ventures, turnkey projects, joint production programmes, sub-contracting and consultancy in Gulf countries, Afro-Asian markets, Caribbean as also in some of the developed countries. The author has suggested that maximum advantage should be taken of vast opportunities thrown open to India in the West Asain countries where new-found wealth is being put to use in the shape of big industrial projects. These regions need to be systematically nursed and carefully attended to as they provide fairly easy access to India's goods and services.

The author has also made an attempt to provide an overview of India's export items in a global setting and has outlined the challenges and opportunities that the existing world of international marketing holds. He has made an attempt to analyse the emerging pattern of international economic order and the strategy which India should adopt on the export front.

identifying opportunities

It is observed that at present tariff and various non-tariff barriers in developed as well as many developing countries have been militating against India's exports. The author has tried to identify various opportunities which have become available to India at present because of concessions under the Generalised Scheme of Preferences (GSP) offered by developed countries as also progress being made in the direction of removal of various non-tariff barriers through multilateral trade negotiations.

The author has also drawn attention to traditional exports from India. They account for nearly 94 per cent of India's exports and therefore the author has done well to study them in depth. He has also outlined documentation procedures and all the relevant formalities connected with export of goods and services and has also analysed the problems connected with marine insurance, banking and such other aspects as pre-shipment inspection, quality control, import replenishment and duty drawback—all technical matters which would be of interest to exporters.

The study makes a number of recommendations to boost India's exports. For example, he has recommended that the State Trading Corporation of India should open branches at a number of important trading centres in the world and man them by appropriately trained personnel. He has emphasised the importance of communication and marketing; he wants building or hiring of warehouses in foreign countries for storing goods so that they are quickly available to suit tight production schedules in developed countries. The author has emphasised the importance of building in foreign countries infrastructure facilities in the fields

of banking, shipping and insurance. There is also a paramount need to establish a specialised financial institution such as an export-import bank.

SAGA OF TRADE UNIONS

Indian Trade Unions—A Survey is the third edition of the book on the subject of Indian trade unions, the first edition of which was published as long ago as 1960 and the second in 1966. A number of new and sensational developments have taken place in the field of Indian trade unionism since 1966; naturally the author has made an attempt to include most of those developments in this third edition.

Trade unionism has been a force in India and will continue to be more so in a democratic set-up which India has come to accept. In a rapidly industrialising India, it will become a force to be reckoned with. This would imply that a frank and free discussion of the problems of trade unions in a developing country such as India in the light of our experience in this field and observations of developments abroad would help us in crossing many hurdles and helping the development of the movement along right lines so that it becomes a constructive force helping the process of both rapid industrialisation and economic development and establishing an egalitarian society in the country.

Mr V. B. Karnik has been actively associated with the Indian trade unions for nearly half a century, often holding important positions. Though he has retired from active work, he has been devoting himself to the work of training and research in this field.

Through this broad survey, we renew our memories of early stalwarts like N.M. Lokhanday (who is supposed to be the founder of trade union movement in India) and B.P. Wadia. How many of us know about the famous strike of 1918 led by Gandhiji which led ultimately to the establishment of the Textile Labour Association of Ahmedabad? We meet here Joseph Baptista, S.H. Jhabwala, C.F. Andrews, Lala Lajpat Rai, Sarojini Naidu, Jawarharlal Nehru and Subhas Chandra Bose all taking part in labour movement and trying to give it form and substance during the British days. Naturally we note that the initial stages in the trade union movement in India are beset with many difficulties; but that was also the period characterised by great idealism and enthusiasm.

The author has ably depicted the developments during the world war I and post-war period and the emergence of communists on the labour scene with S.A. Dange and Muzaffar Ahmed towering above all. Even then M.N. Roy inevitably made his presence felt on the Indian labour scene. The communists captured the AITUC and moderates like N.M. Joshi and V.V. Giri came out. Ahmedabad experiment in trade unionism of this period inspired by Gandhian ideals and methodology can still show the way to that movement emphasising constructive activities and peaceful methods of settling all industrial disputes. Gandhian ideas in this sphere as elsewhere have now been securing broad acceptance.

Significant developments in the field of Indian trade unionism during inter-war period and especially after the introduction of provincial autonomy have received due attention. As in the case of most other fields, here also the second world war left its deep impress. But the real turning point came after the attainment of independence by the country. The establishment of the INTUC by the Indian National Congress and of the HMS by the socialists has had significant impact on the future development of trade unionism in the country. The author has also referred to the most recent splits in the central trade union bodies during the recent emergency.

Mr Karnik has analysed in detail the various problems confronting Indian trade unions, namely the problem of recognition, of adjudication versus collective bargaining, of 'outside' leaders and 'inside' leaders and so on. This makes fascinating reading and depicts the tortuous paths traversed by trade unions in India. Will trade unions become strong, responsible and representative bodies with the right of collective bargaining? On the answer to that question and on whether trade unions will function as part and parcel of a broad democratic movement for the all round progress of society will depend not only the future of trade unionism in the country but also the country's industrial and economic future. Let us along with the author hope that they will move in the right direction.

Books Received

Determinants of Real National Income and Price Level in India: P.R. Brahmananda; University of Bombay, (Dept. of Economics), C.S.T. Road, Kalina, Bombay 29 AS; Pp 96; Price Rs 15.

The Oilseeds Economy of India: P.S. George, Uma K. Srivastava and B. M. Desai; The Macmillan Co. of India Ltd, New Delhi; Pp 266; Price Rs 35.

Second India Studies OVERVIEW: H. Ezekiel; The Mcmillan Co of India Ltd, New Delhi; Pp 215; Price Rs 8.

The Next 200 Years: Herman Kahn, William Brown and Leon Martel; William Morrow &, Co Inc, 205 Madison Avenue, New York, NY-10016; Pp 241; Price $3.95.

Employer-Employee Relations: V. Bhaskara Rao; Concept Publishing Co, 65-F Anand Nagar, Delhi-35; Pp 260; Price Rs 60.

The Social Context of Education: A.B. Shah; Allied Publishers Pvt Ltd, New Delhi-1; Pp 276; Price Rs 75.

Education for Our People: Citizens for Democracy; Allied Publishers Pvt Ltd, New Delhi; Pp 77; Price Rs 10.

South Indian Factory Workers—their Life and their World: Mark Homstrom; Allied Publishers Pvt Ltd, New Delhi-1; Pp 158; Price Rs 25.

An Alternative System of Health Care Service in India: J.P. Naik; Allied Publishers Pvt Ltd, New Delhi-1; Pp 81; Price Rs 10.

Poverty, Planning and Inflation: C.N. Vakil; Allied Publishers Pvt. Ltd, New Delhi-1; Pp 316; Price Rs 70.

Role of Rural Women in Development: V. Mazumdar; Allied Publishers Pvt Ltd, New Delhi-1; Pp 125; Price Rs 20.

International Monetary Relations; Theory, History and Policy: Leland B. Yeager; Allied Publishers Pvt Ltd, New Delhi-1, (second edition); Pp 667; Price Rs 34.40.

Materials Management in Cooperatives: K.K. Taimni; Vaikunth Mehta Training Research, Consultancy, Publication & Welfare Fund, R.B.I. Building, Ganeshkhind Road, Pune-16; Pp 258; Hard cover Price Rs 40; Students edition Rs 20.

TRADE WINDS

Guidelines on Share Allotment

THE GOVERNMENT has decided to clamp with immediate effect a ceiling on allotment of more than 500 shares of the face value of Rs 10 each to any applicant to public issues or offers for sale by companies, it is learnt.

In case allotment in excess of 500 shares becomes unavoidable prior approval of the government will be required. The government is said to have taken this step with a view to promoting the widest possible dispersal of the shareholding and protect the interest of the genuine small investor.

All stock exchanges in the country have been directed that in the event of oversubscription of a public issue the basis of allotment should be finalised keeping in view that it is predominantly in favour of the applicants in the lower categories of 50 to 200 shares of the face value of Rs 10 each.

Method of Allotment

The allotment by draw of lots wherever necessary should begin with 25 shares and increase in multiples thereof. Efforts should be made to have at least 200 shareholders for every one lakh rupees of the share capital issued or offered for sale, particularly in those cases where oversubscription exceeds ten times. Where there is heavy oversubscription exceeding 20 times, the ceiling on allotment should be further reduced to 250 shares for an applicant.

IDA Assistance for Bombay Project

The International Development Association (IDA) recently announced the approval of a $196 million credit for its second water supply and sewerage project in Bombay. IDA is the World Bank's affiliate for concessionary lending. Bombay, with a population of 7.6 million, is the second largest city in India and a major industrial centre. A rapidly expanding population has led to increasing demand for water supply and sanitation.

The $411.6 million project will supply an additional 450 million litres per day of water in the Greater Bombay area. It will maintain the supply of water for domestic purposes roughly at its present per capita level as the population increases over the next 10 to 15 years. The project will slightly increase the water supply to industry. The water distribution system and facilities for slum areas will be improved. The project also contains provision for more intensive detection of distribution system losses and repair of existing mains. The sewerage component will improve and extend the collection system from 44 per cent to 90 per cent of the Greater Bombay area and will provide treatment and safe means of disposing of sewage from the whole of the urban population. It will provide additional public latrines for the slum areas where some 2.5 million people, one-third of Bombay's population, live.

The supply of reasonably safe water and the provision of better sanitation through the improvement of the sewerage system, especially in the slum area, will help reduce the incidence of water-borne and sanitation-related diseases in an area where 40 per cent of all deaths are attributed to infectious and parasitic diseases. The project follows the first Bombay water supply and sewerage project which is now being implemented with an IDA credit of $55 million approved in 1974. The IDA credit is for 50 years, including 10 years of grace. It carries no interest but bears a service charge of 3/4 of one per cent per annum to cover IDA's administrative costs.

Heavy Industry Exports

The public sector undertakings under the control of the department of Heavy Industry secured export orders valued at Rs 66.5 crores during the first two months of the current financial year. The value of orders physically completed in the same period was Rs 18.45 crores. Cumulatively, at the end of May 1978, the undertakings has export orders of the value of Rs 793.52 crores pending with them. The major orders were with Engineering Projects (India) Limited (Rs 441.37 crores), Bharat Heavy Electricals Limited (Rs 278.00 crores), Heavy Engineering Corporation (Rs 28.24 crores), Jessops & Company (Rs 12.32 crores) and Braithwaites and Company (Rs 10.21 crores). The heavy industry units are now geared to fulfil their orders at a more accelerated pace and also to secure more export orders which have become necessary for most of them to maintain their growth in production.

Gas Turbines in West Bengal

The Central Electricity Authority has accorded techno-economic approval to a proposal by the West Bengal government to instal gas turbines at Haldia, Siliguri and Gourepore. The West Bengal State Electricity Board had submitted a proposal in December last year for the installation of gas turbine units at the following locations to meet the power shortage:

(1)	Haldia	2×15 MW
(2)	Siliguri	2×15 MW
(3)	Gourepore	1×20 MW

Based on the technical examination of the Central Electricity Authority, the West Bengal State Electricity Board modified the proposal for installation of five units of 20 MW each at the following locations:

(1)	Haldia	2×20 MW
(2)	Siliguri	2×20 MW
(3)	Gourepore	1×20 MW

The Central Electricity Authority has accorded techno-economic approval to the project. Foreign exchange allocation will be possible on the request of the state authorities after selection of parties for import of equipment as well as furnishing firm estimates and after the project has been approved for funding and inclusion in the state plan.

Indian Handicrafts at Moscow

The rich traditional crafts of India will be on display at the handicrafts pavilion being arranged by the All India Handicrafts Board at Indian National Exhibition at Moscow from August 1 to 31, 1978. The major exhibits at the Moscow

exhibition will include hand-knotted Indian carpets, art metalware, hand-printed textiles, zari goods, wood carvings, cane and bamboo articles and ivory products. Besides the display of handicrafts products, a team of six master-craftsmen, all of whom are national award winners will give a demonstration of their skill and craftsmanship before the visiting public at the exhibition. The mastercraftsmen have specialised in the fields of hand block printing, wood carvings, dhokra metal craft, Madhubani fold painting, sholapith craft and cane and bamboo crafts. The craftsmen are carrying plenty of raw-material in the crafts concerned to be able to give demonstration on all the days of the exhibition. The All India Handicrafts Board aims at projecting the best craftsmanship of India and the rich traditional heritage of crafts at the exhibition.

Steel Consumption by 1990

The developing countries are expected to account for a growing share of world steel consumption, rising from 7.1 per cent in 1970 to 15.6 per cent by 1990, according to a study entitled 'PROJECTION—90' undertaken by the committee on Economic Studies of the International Iron & Steel Institute, Brussels. A summary of the report was presented to the board of directors of the institute at their special meeting held at Rio de Janeiro in April 1978. The growth rate of demand for steel in India for the period 1978-79 to 1982-83 has been projected at 10 per cent. The study has projected a continued growth in the world demand for steel which, in terms of crude steel, may rise to about 1.0 billion tonnes in 1985 and 1.2 billion tonnes in 1990 as compared to 594 million tonnes in 1970.

Capital Subsidy Extended

Mrs Abha Maiti, minister of state for Industry, told Lok Sabha that the scheme of capital subsidy for backward areas has been extended up to March 31, 1979. She said that industrial units set up in selected backward areas are eligible to subsidy at the rate of 15 per cent of the capital investment subject to maximum of Rs 15 lakhs. Under the scheme small-scale and cottage industries are also eligible to subsidy.

Polybutadiene Rubber

Mr H. N. Bahuguna, minister for Petroleum, Chemicals and Fertilisers, informed Lok Sabha recently that the marketing of polybutadiene rubber manufactured by the Indian Petrochemicals Corporation Limited, Baroda, is expected to commence shortly. He added that the automotive type industry was expected to consume maximum quantity of nearly 700 metric tonnes of polybutadiene rubber to be produced initially by the Indian Petrochemicals Corporation. He said that the selling prices of various grades of rubber would be fixed at the time of selling the product.

Ophthalmic Glass Rough Blanks

To meet the internal demand for ophthalmic glass rough blanks the government has decided to consider on merits proposals for establishment of a few more units for the manufacture of this item, in the medium sector, based on latest technology. Entrepreneurs have been asked to submit their detailed proposals within a period of three months. A press note issued by the ministry stated that entrepreneurs intending to set up a medium scale unit for the manufacture of ophthalmic glass rough blanks based on the latest technology are requested to submit their detailed proposals within a period of three months from the date of issue of the press note. The proposals should contain the details of the technology involved, economic viability and foreign collaboration, if any. Composite applications for industrial licence, if required, foreign collaborations and capital goods may be submitted in the prescribed proformae to the Secretariat for Industrial Approvals, ministry of Industry, Udyog Bhavan, New Delhi. Proposals for registration may be submitted to DGTD, Udyog Bhavan, New Delhi direct in accordance with the usual procedure.

Meat Export Potential

Developing countries provide the biggest scope for development of meat processing industries in the world, observed Mr N.E. Wernberg, an internationally noted meat industry consultant from Denmark. Mr Wernberg was addressing specialists and administrators associated with abattoirs and meat processing units in Bombay on July 13, 1978 under the auspices of Larsen & Toubro Limited. Elaboratting Mr Wernherg noted that the developing countries have a tremendous need and potential for increased meat production, mainly to raise their own standard of nutrition. Some of these countries will also be able to develop a surplus for profitable export to the heavily populated industrial countries.

However, Mr Wernberg cautioned, the bulk of the meat produced in developing countries with the exception of a few places or a few specific plants, is not acceptable for human consumption according to the standards of developed countries. Accordingly, he said, most of the meat exported from developing countries is either produced in special plants approved by the veterinary authorities of the importing countries or produced as fully sterilised canned meat under special inspection. Citing FAO estimates, Mr Wernberg pointed out that developed countries will have a deficit of 2,344,000 tonnes of meat in 1980 and the socialist countries will have a deficit of 651,000 tonnes.

Demarcation of Fishing Zones

Separate guidelines have been issued to all maritime states and union territories for demarcation of fishing zones for different types of operators of fishing vessels. The ministry of Agriculture and Irrigation has suggested reservation of 5 kms from the shore for exclusive operations of the traditional fishermen and 5 to 10 kms for the mechanised boats. Giving this information in Rajya Sabha recently, the minister for Agriculture and Irrigation, Mr Surjit Singh Barnala stated that as far as deep sea fishing vessels are concerned the inner limit of operations prescribed is 10 kms from the coast. A committee constituted to recommend measures for demarcation of fishing zones for different types of fishing vessels is finalised. It is reported in consultation with the maritime state governments.

Mr Barnala stated that it is not correct that there is a serious struggle and conflict between country boat fishermen and

trawler operators on the whole coast of the country. Isolated cases have been reported and one such report is from the union territory of Goa. Here the dispute is not between the traditional fishermen and operators of deep sea fishing trawlers. The small mechanised boats (9-11 meters in length) are called trawlers in Goa and the conflict reported is between the traditional fishermen known as 'Ramponkars' and the group of operators of mechanised fishing boats. The ministry has approved procurement of patrol boats to enforce the restriction of fishing within five fathoms as stipulated in the Fisneries Act of Goa, Daman & Diu.

Directors of Nationalised Banks

The government of India has, in consultation with the Reserve Bank of India appointed the following persons as executive directors of the specified nationalised banks: (1) Mr J.N. Pathak, United Commercial Bank (July 24, 1978 to July 24, 1981); (2) Mr B. V. Sonalkar, Bank of India (July 22, 1978 to July 21, 1981); (3) Mr D.C. Gupta, (Punjab National Bank (July 26, 1978 to February 9, 1980) and; (4) Mr B.M. Shukla, Bank of Baroda (July 24, 1978 to January 19, 1981). Prof S.R. Bijoor. management consultant, Bangalore, has been appointed as director, Indian Overseas Bank for a period of three years from July 24, 1978.

SAIL Board Finalised

The revised composition of the board of directors of the Steel Authority of India Limited (SAIL), following its recent reorganisation, has been finalised. The information was given by the minister of Steel & Mines, Mr Biju Patnaik. in Lok Sabha recently. Dr P. L. Agrawal, chairman (full-time) will be overall incharge of the company; Mr M. P. Wadhawan, vice-chairman, SAIL (full-time), incharge of finance, commercial matters, vigilance and company secretary; Mr A. C. Banerjee, vice-chairman, SAIL, (full-time), incharge of overall coordination of steel plants operations, supply of inputs, transportation, research and development and foreign collaboration; Mr S. R. Jain, managing director, Bhilai Steel plant; Mr P.K. Paul, managing director, Durgapur Steel Plant; Mr S. Sumarapungavan, managing director, Bokaro Steel Plant; Dr N. S. Datar, managing director, Rourkela Steel Plant; Mr D. R. Ahuja, managing director, Indian Iron & Steel Company; Mr K. C. Mohan, chairman-cum-managing director, Metallurgical and Engineering Consultants India Limited; Mr B. G.

Baljekar, managing director of the Hindustan Steelworks Construction Limited (HSCL); Mr Gopeshwar, general secretary, Indian National Metal Workers' Federation; Dr Ajit Mozoomdar, secretary, Planning Commission; Mr S.D. Prasad, additional secretary, department of Steel; Mr R. Ganapati, till recently joint secretary, department of Steel as part-time members and Mr R. P. Billimoria, ex-chairman of SAIL. The minister added that some more appointments still remain to be made to complete the reconstitution of the board.

Rupee Devalued against Pound Sterling

The rupee has been devalued by 1.30 per cent in terms of the pound sterling, following the revision by the Reserve Bank of India of the middle rate of Rs 15.55 per pound against Rs 15.35 fixed on May 24. The Reserve Bank has revised the selling rate of pound sterling for spot delivery to £6.4103 per Rs 100 (corresponding to Rs 15.60 per pound) and the buying rate for spot delivery of £6,4516 per Rs 100 (corresponding to Rs 15.50 per pound). The last time the rupee-sterling rate was changed by the RBI was on May 24, when the rupee was upvalued by 2.54 per cent in terms of the pound sterling. In view of the continuous weakness of the US dollar in the international currency market, against major international currencies and the appreciation of the pound sterling a revision in the rupee-pound rate had been widely anticipated. On Friday last, the pound-dollar cross rate in London stood at 1.9270-1.9285 dollars to the pound against 1.8100 dollars to the pound on May 24 last. The RBI has announced that it will continue to buy forward sterling for delivery up to nine monthly option basis at a discount of £0.0050 per Rs 100 on the spot buying rate of £6.4516 per Rs 100.

Electrified Rail for Delhi

There is a proposal to provide electrified rail commuter services along the ring railway line with spurs to Shakurbasti and Tughlakabad at a cost of Rs 22.65 crores. The proposal envisages the running of six car EMU trains, with six trains operating in each direction during the peak hour in the heaviest loaded section of the ring. The journey time for a complete circle of the ring will be 60 minutes as compared to about 90 minutes with the present service. The carrying capacity of each train will be nearly 2000 passengers.

Bridge Construction in Iraq

An Indian firm has won a contract for construction of the Hilla Bridge in Iraq valued at Rs 2 crores The prestressed concrete bridge having a length of 225 metres is located on the Hilla River, a major tributary of the Euphrates. This is the third bridge project and the sixth contract won by India in Iraq this year, taking the total value of projects secured by India in Iraq to Rs 77 crores.

India-Nepal Cooperation

A high level delegation led by Mr V. Krishnamurthy, secretary, department of Heavy Industry, visited Nepal from July 26 to 30, 1978. The visit is in pursuance of the discussions held in New Delhi in April 1978 between minister of Industry, Mr George Feranades and the prime minister of Nepal. During his stay in Nepal, Mr Krishnamurthy had discussions with Nepalese ministries of Foreign Affairs, Industry and Commerce and also with the Industrial Development Corporation, Agriculture Development Bank and the Nepal Rashtriya Bank. The delegation comprised experts on projects identified for cooperation between the two countries. Representatives of the ministries of Industry, Finance and External Affairs also accompanied the delegation.

Names in the News

The government has appointed **Miss P. Lal,** joint secretary (Finance) in the ministry of Tourism and Civil Aviation as part-time director on the board of directors of India Tourism Development Corporation (ITDC).

Mr J.N. Pathak has been appointed executive director of United Commercial Bank. Mr Pathak joined UCO Bank in 1945 and worked

Mr J. N. Pathak

in practically every important department. Prior to his new appointment, Mr Pathak was the general manager of the bank. Mr Pathak was the leader of the International Industrial Finance, Seminar of South East Asian countries, convened by Industrial Bank of Japan in 1969. He is director of State Bank of Sikkim and director of Rajasthan Dairy Development Corporation.

Mr D. C. Gupta general manager of Punjab National Bank has been appointed its executive director. Mr Gupta joined Punjab National Bank in 1941.

Mr G. S. Jain has taken over as chairman and chief executive officer in Naini Tal Bank Limited, Naini Tal, on deputation from Bank of Baroda. Mr Jain was formerly general manager of Bareilly Corporation Bank Limited.

Mr M.B. Dutta has taken over as the managing director of State Bank of Bikaner and Jaipur.

Mr S. K. Mohile has succeeded Mr P. R. Deshpande as managing director of Crompton Greaves Ltd. Mr Mohile has over the last 28 years held several challenging technical and general management positions in the company. He has been joint managing director of the company since August 1977.

Mr G.P. Warrier, former chairman of Railway Board has been appointed chairman of Bharat Heavy Electricals Limited. At present, Mr V. Krishnamurthy, Secretary, Heavy Industry, is holding charge in addition to his duties in the ministry.

COMPANY AFFAIRS

Shaw Wallace

Mr S. P. Acharya, chairman, Shaw Wallace group of companies revealed recently that the fortunes of the group had improved substantially during 1977. The pre-tax profit of the parent company increased from Rs 1.6 crores in 1976 to Rs 1.9 crores in 1977 and the profit of the group increased from Rs 4 crores to Rs 6 crores. The quantitative turnover of the agricultural inputs division was higher than in the previous year. Moreover, the company was engaged in diversifying its product range to face the challenge of rising costs by increasing sales of agro-chemicals and hybrid seeds.

The reputation of the company for quality of its liquors continued to be high and rigorous quality control and research and development efforts had assisted in this. The fortunes of the division were obviously affected by national and state policies and it remained to be seen how adverse would be the effect of the central government's policy of phased prohibition on sales, profitability and employment.

The computer services division of the company has commissioned its second ICL 1901-A computer which is a third generation machine. This has already rendered satisfactory service to a range of discriminating users. The division has also obtained an order from Malaysia for the installation of computer based systems in a major plantation group.

In respect of subsidiaries, Mr Acharya pointed out that the profitability of Cruickshank & Co Ltd was good. Maharashtra Distillaries Ltd had another satisfactory year and now had a fine production facility. New high quality products were on the way. The Hooghly Flour Mills Co Ltd registered an impressive rise in turnover and profits. Capacity utilisation increased from 50 per cent to 87 per cent. Sales of the Indian Yeast Co Ltd, increased to 3,324 tonnes. The excellence of the quality and manufacturing process as well as intensive marketing to small and large bakers alike uplifted profitability to Rs 7 million.

Record Year

Tezpore Tea Company Ltd enjoyed a record year like other tea companies. With an increase in crop yield from 2,069 tonnes to 2,255 tonnes, while the pre-tax profit increased by 79 per cent to Rs 15 million. With its satisfactory working results and funds position, Shaw Wallace & Hedges Ltd, in Sri Lanka is now considering diversification proposals and has already taken up an 80 per cent interest at a cost of Rs (C) 4 lakhs in a garment manufacturing unit. SKOL Breweries Ltd had a very satisfactory year, with a rise in profit from Rs 1.9 million to Rs 2.4 million. Shaw Leiner Ltd reported a substantial improvement in its working, earning a profit of Rs 1.3 million.

Indian Duplicator

The chairman of Indian Duplicator Co has told shareholders that sales for the first eight months of the current year from November 1977 to June 1978 have amounted to Rs 4.94 crores against Rs 3.89 crores in the corresponding period of the previous year. Exports during the period have gone up by over 53 per cent to Rs 38.22 lakhs. A number of schemes of diversification are under the consideration of the management although such efforts are dependent on the government's industrial policy in the context of increasing number of items being reserved for small-scale sector. According to the chairman, the trend of the past eight months can be taken as a clear indication of the company's performance for the rest of the year. He is confident that the year will end with an adequate profit and the company will be able to pay a reasonable dividend for 1977-78.

General Electric

The directors of The General Electric Company of India Limited have announced that the pre-tax profits of the company for the year ended March 31, 1978 amounted to Rs 382.32 lakhs compared to Rs 413.17 lakhs for the previous year. A sum of Rs 229.40 lakhs has been provided for taxation. After transferring Rs 4.01 lakhs to investment allowance reserve and transfer from development rebate reserve of Rs 2.58 lakhs, the balance amount of Rs 151.49 lakhs as compared with Rs 182.18 lakhs for the previous year, is available for appropriation.

The directors have recommended that the dividend for the year ended March 31, 1978, should be Rs 1.20 per equity share fully paid up and proportionately on the amount paid up for those shareholders who have not paid the final call, subject to the deduction of tax at source. The directors have, therefore, recommended provision for dividend amounting to Rs 86.40 lakhs and the balance amount of Rs 65.09 lakhs has been transferred to general reserve.

Digjam Woollen

The directors of Digvijaya Woollen (Digjam) have proposed to maintain the equity dividend at 25 per cent for the year ended March 1978 despite a fall in the company's gross profit from Rs 1.96 crores to Rs 1.24 crores. Sales, however, improved from Rs 7.47 crores to Rs 7.92 crores. The allocations include depreciation Rs 28.88 lakhs (Rs 11.47 lakhs), investment allowance reserve Rs 26.55 lakhs (nil) and taxation Rs 33 lakhs (Rs 1.37 crores). A sum of Rs 13.02 lakhs against Rs 45.93 lakhs (including Rs 20.72 lakhs of excess provision of gratuity) has been transferred to the general reserve.

The management has attributed the fall in profit to the reduction in selling prices in a bid to hold the price line. The net profit, however, is higher at Rs 35.71 lakhs against Rs 21.91 lakhs. Despite recessionary conditions in the world market the company has been able to increase its exports to Rs 33.06 lakhs from Rs 29.02

lakhs in the previous year New markets have been established in West Asia, Singapore, Thailand, Australia and Madagascar. With the commissioning of the worsted carding and combing plant in August 1977, the company has become self-sufficient in meeting its wool combing requirements.

Universal Electrics

The net profit of Universal Electrics has amounted to Rs 22.95 lakhs for the year ended March, 1978 against Rs 23.58 lakhs in the previous year, after providing Rs 18.61 lakhs (Rs 17.21 lakhs) for depreciation and Rs 24 lakhs (Rs 24.50 lakhs) for taxation. The equity dividend has been raised from 10 per cent to 12 per cent absorbing Rs 6.75 lakhs (Rs 5.61 lakhs). The turnover has risen from Rs 554.69 lakhs to Rs 793.25 lakhs.

Garware Nylons

Garware Nylons has reported improved working results for the year ended March 1978. Equity dividend has been kept unchanged at 15 per cent. Besides shareholders have been awarded with a bonus issue in the ratio of one new share for every two shares held. According to the preliminary figures, gross sales have risen by 15 per cent from Rs 29.61 crores in 1976-77 to Rs 34.18 crores in 1977-78 and the net sales by 16 per cent from Rs 16.98 crores to Rs 19.64 crores. The gross profit has, however, risen by 143 per cent from Rs 2.04 crores to Rs 4.97 crores.

After providing Rs 45 lakhs (nil) for investment allowance and Rs 60 lakhs (nil) for taxation, the net profit works out at Rs 2.49 crores (Rs 80 lakhs). Dividend will absorb Rs 64.80 lakhs (same).

The bonus issue will mean capitalisation of Rs 2.16 crores from the general reserve. The company had issued bonus shares in the ratio of one bonus share for every share held in 1975-76. The programme of modernisation of the company's nylon plant at Pimpri, Pune is making good progress and is expected to be completed before the end of March 1979. The company is also planning to shift some of its operations to Ahmednagar, a backward area designated by the Maharashtra government, so as to utilise the facilities available at the Pimpri factory for more productive purposes as also to avail of the liberal incentives offered by the state government.

Nirlon Synthetic Fibres

The preliminary statement from Nirlon Synthetic Fibres and Chemicals on its working results for the year ended March 1978 shows a significant recovery from its previous year's set back. The dividend has been stepped up from 18 per cent to 20 per cent (Rs 1.80 to Rs 2 a share). As against an increase of 15.7 per cent in sales from Rs 46.71 crores to Rs 54.07 crores, the gross profit is up by 40 per cent from Rs 4.8 crores to Rs 6.82 crores. In 1975-76 the company had earned a profit of Rs 6.79 crores on a turnover of Rs 47.43 crores.

There has been a substantial increase in the production of polyester yarn from 608.5 tonnes in 1976-77 to 1,027.7 tonnes. The output of tyre cord was also higher at 2,014.8 tonnes against 1,880.1 tonnes in the previous year. On the other hand, the production of nylon yarn fell marginally from 2,533.9 tonnes to 2,501.6 tonnes. The output of conveyer belting, a new item, aggregated 0.6 tonne. Out of the gross profit, depreciation claims Rs 2.61 crores (Rs 2.39 crores) and investment allowance reserve Rs 1.70 crores (nil). Besides, the company has provided Rs 16 lakhs for taxation for previous years. Investment reserve claims Rs 14 lakhs (nil) and after providing Rs 1.40 crores (Rs 1.26 crores) for the proposed dividend, a sum of Rs 81 lakhs (Rs 67 lakhs) has been transferred to the general reserve.

New Standard Engineering

New Standard Engineering Co has maintained the equity dividend at 14 per cent for the year ended March 1978. According to the preliminary statement, the company's working during the year has resulted in a gross profit of Rs 91.94 lakhs against Rs 112.34 lakhs in the previous year. The provision for depreciation and investment allowance is Rs 24.22 lakhs (Rs 30.79 lakhs) and for taxation Rs 37.70 lakhs (Rs 46.15 lakhs). Equity and preference dividend will absorb Rs 18.02 lakhs. The company's two subsidiaries, Indian Furnace Co Ltd and Indopol Ltd were merged into it following the high court's approval. The former is engaged in the design and manufacture of a wide range of sophisticated furnaces and the latter as a consultancy organisation. Now both these companies have become the company's divisions. The company has entered into a collaboration agreement with Lurgi Umwelt and Chemotechnik of West Germany for the supply of processes and equipment for industrial waste water and effluent control systems for the treatment of industrial wastes, municipal effluents as also recovery of materials. The company has received all government approvals and the project is well underway. The management feels that with this new area of activity the company will be able to add substantially to its domestic and export business.

Oriental Carpet

The Oriental Carpet Manufacturing Co (OCM) has reported a set-back in its working for the year ended March 1978. According to the preliminary statement, the company has made a gross profit of Rs 50.89 lakhs on a turnover of Rs 1,501.87 lakhs against a profit of Rs 73.07 lakhs on sales of Rs 1,331.45 lakhs in in the previous year. An equity dividend of 12 per cent has been proposed on the increased capital against 19 per cent which will absorb Rs 10.50 lakhs (Rs 8.56 lakhs). Allocations include, depreciation Rs 15.38 lakhs (13.05), investement allowance reserve Rs 9.20 lakhs (Rs 5 lakhs) and taxation Rs 8.50 lakhs (Rs 28.50 lakhs). After writing back Rs 76,000 (Rs 4.27 lakhs) from development rebate and adding Rs 76,000 (Rs 18,000) from income tax refund, a sum of Rs 4.37 lakhs (Rs 18.41 lakhs) has been transferred to general reserve.

Assam Sillimanite Taken Over

As a follow-up of the acquisition of the refractory plant of the Assam Sillimanite Limited under the Assam Sillimanite Limited. (Acquisition and Transfer of Refractory Plant) Act, 1976, Mr A. Sinha, IAS, has been appointed the new Commissioner of Payments. The act had provided for the payment of a certain amount of compensation to Assam Sillimanite Limited, to be disbursed through a Commissioner

of Payments. All claims had to be addressed to the Commissioner's office at the Hindustan Steel Administrative Building, Doranda, Ranchi before August 1, 1978. The refractory plant of the Assam Sillimanite had been taken over by the government under the Act of 1976 to augment the supplies of refractories to meet the essential requirements of the iron and steel industry. Under the Industries (Development & Regulation) Act, 1951, a licence to set up a refractory plant had been granted to the Assam Sillimanite Limited. In pursuance of the licence grant to it, the company had imported machinery from abroad and commenced the construction of the first stage of its refactory plant near Ramgarh in Bihar, but the project could not proceed beyond the first stage due to financial and other difficulties. It was felt that special types of refractories, including hign alumina refractories needed by the iron & steel industry could be manufactured at the plant and that this would enable the country to progressively reduce the import of such types of refractories. This led to the acquisition of the rights and interest of the Assam Sillimanite in respect of its refractory plant.

United Commercial Bank

United dommercial Bank has shown a rise in deposits from Rs 788.32 crores at the end of 1976 to Rs 987.62 crores at the end of 1977, showing an increase of over 25 per cent in one year. Advances during the year increased to Rs 651.61 crores as against Rs 534.33 crores towards the end of 1976. The aggregate credit to priority sectors (including plantations but excluding exports) amounted to Rs 152.16 crores as compared to Rs 114.79 crores at the end of the previous year, show ing a rise of Rs 37.37 crores. Priority sector advances formed 27.46 per cent of the bank's total credit in India. The total export credit outstanding at the end of the year was Rs 50.35 crores as against Rs 33.74 crores at the end of the previous year, showing a rise of Rs 16.61 crores.

The number of branches during the year crossed 1,000 in the country. Under the policy for setting up of regional rural banks the bank sponsored one more regional rural bank during the year for its lead district in Monghyr in the state of Bihar. With the inauguration of Monghyr Kshetriya Gramin Bank on March 12, 1977, with its head office at Monghyr, the bank has sponsored four regional rural banks: (i) Jaipur Nagaur Anchalik Gramin Bank, districts of Jaipur and Nagaur, Rajasthan; (ii) Mayurakhsi Gramin Bank, district Birbhum, West Bengal; (iii) Cuttack Gramya Bank, district Cuttack, Orissa; (iv) Monghyr Kshetriya Gramin Bank, district Monghyr, Bihar.

The income from interest, discount, commission, exchange, etc., after making usual and necessary provisions showed a rise of Rs 16.39 crores as against a rise of Rs 10.37 crores in the previous year. This was more or less

offset by an increase of Rs 12.60 crores in interest paid on deposits, borrowings etc., increase of Rs 2.69 crores on salaries, allowances and provident and gratuity funds and an increase of Rs 1.10 crores under other heads of expenditure. As a result, the net profit for the year showed a marginal increase from Rs 209.76 lakhs to Rs 212.87 lakhs. Out of the profit for the year 1977 a sum of Rs 20.18 lakhs was adjusted towards bonus paid to staff for 1976 in excess of provision of Rs 62 lakhs made out of the profit for the year 1976. Out of the profit for the year, a sum of Rs 50 lakhs was transferred to the reserve fund (previous year Rs 50 lakhs) and an amount of Rs 90 lakhs was provided for contingencies (previous year Rs 62 lakhs). The balance of profit amounting to Rs 52.69 lakhs (previous year Rs 50.59 lakhs) was transferred to the central government.

EID-Parry

For EID-Parry (India) Ltd the year 1977 was one of recovery from the set-back suffered in 1976. According to Mr R. Venkataswamy Naidu, chairman of the company, it came back to profitability. The directors, he said, have recommended for shareholders' approval a dividend of six per cent on equity capital, having already cleared the dividend on the cumulative preference shares for the two years 1976 and 1977.

Mr Naidu stated that by and large, the improvement in working results emanated from various divisions, particularly fertilisers. The problems of sugar division, however, continued unabated, despite improved cane crushing and recovery, following lower average realisation on account of uneconomic levy price fixed by the government. Improved sales of fertilisers, improved production of sugar-phosphate at Ranipet and better operating results of the Ennore factory ensured a good return from the fertiliser operations. Ceramics division maintained a steady rate of growth. On the export side, Parryware did well. Marine products beset with uncertainties from all angles did not progress as expected and export of ready-made garments activity continued to face problems.

Diversification Plan

Work on the diversification of the Ennore fertiliser factory has made considerable leeway during the year. An agreement was entered into with Messrs Haldor Topse of Denmark for the know-how and basic engineering for the revamping of the ammonia plant for methanol production. The agreement has been taken on record by the government and the bulk of the design package has already been received.

The chairman stated that a letter of intent had been received for a tool room project to be located in Karnataka. For this purpose the company has purchased land and buildings at Bangalore with power, water and other facilities required for commencement of production and it was expected to function before the year is over. The order book was already full for this venture. It was expected to meet the demand for high precision and sophisticated tooling for the electronic industry as well as for plastic, rubber and other allied industries.

Andrew Yule

Andrew Yule and Co. Ltd. improved its profitability in recent years and further reduced its carry-forward loss of Rs 66 lakh for the earlier phase to Rs 32.63 lakhs. The 1977 pretax profit of Rs 52 lakhs marked a 25 per cent increase over the previous year though no dividend will be paid once again. The company expects to wipe off accumulated losses during the current year.

Its hopes are mainly based on continued successful operation of the Kalyani Works, diversification into new lines of production, the electrical unit to overcome the lack of anticipated orders and speedy completion of the Rs 7 crore belting project.

The company faced with uncertainties of obtaining power supply from the West Bengal State Electricity Board, has decided to install eapital generating sets at the belting factory bearing an additional cost of Rs 20 lakh.

The profit for the current year would depend on various factors, including the frequency of power cuts, the burden of latest steel price increase, the incidence of additional excise duties which was expected to be Rs 15 lakhs and the impact of the labour situation on the engineering industry in West Bengal.

Andrew Yule's group profits in 1977 were Rs 373.34 lakhs compared to Rs 296 lakhs in 1976. The tea companies alone contributed Rs 310.71 lakhs as subsidiaries, with the previous year corresponding figure being Rs 26 lakhs. The group's only losing concern in 1976. Hooghly Printing, turned the corner with a small profit of Rs 50,000.

The group is planning to spread out in new areas of production through its subsidiaries and associated companies. A cell has been set up to examine possibilities in the field of electronics.

Meanwhile, further progress has been made in implemeting the filament project in association with the West Bengal Industrial Development Corporation and the industrial adhesives project in collaboration with a US firm.

Company News in Brief

In response to the public issue of 150,000 equity shares of Rs 10 each at par by **Shivalik Agro Poly Products,** which opened on May 17 and closed on May 29, 452 applications for 150,100 shares were received. In consultation with the authorities of Delhi stock exchange the company has approved full allotment of shares to all applicants, except to one applicant for 15,000 shares who will receive 14,900 shares.

The public issue of **Pond's (India)** which opened on July 26, was oversubscribed on the first day. The directors decided to close the list at the close of banking hours on July 29, 1978.

Modipon has stepped up the dividend to 25 per cent for the year ended February 1978 from 10 per cent for the previous year.

The English Electric Co of India has declared an equity dividend of Rs 3.20 per share for the year ended March 1978.

The Jultibari Tea Co has declared an equity dividend of Rs 3 per share for the year ended March 1978.

The Tengapani Tea Co has declared an equity dividend of Rs 3 per share for the year ended March 1978.

Licences and Letters of Intent

THE FOLLOWING licences and letters of intent were issued under the Industrial (Development and Regulation) Act 1951 during the month of June, 1978. The list contains the names and addresses of the licensees, articles of manufacture, type of licences—New Undertaking (NU), New Articles (NA), Substantial Expansion (SE), Carry on Business (COB), Shifting—and Annual Installed Capacity. Details regarding licences and letters of intent revoked, cancelled or surrendered are also given.

Licences Issued

Metallurgical Industries (Ferrous)

M/s P.T.C. Sanghvi Company, 110, Shivajinagar, Poona-5, (Poona-Maharashtra)—Cold Rolled Stainless Steel strips/sheets/circles manufactured from hot rolled thicker gauge plates, sheets etc—600 tonnes—(COB)

M/s Visvesvaraya Iron and Steel Ltd, Bhadravati (Karnataka) (Shimoga-Karnataka)—Ferro Molybdenum—200 M.T.—(NA)

Metallurgical Industries (Non-ferrous)

M/s Alcobex Metals Pvt Ltd, 24-Heavy Indl. Area, Jodhpur (Rajasthan) (Jodhpur-Rajasthan)—Non-ferrous extrusions—1,500 tonnes (existing)—2,000 tonnes (After expn) Copper and Copper base alloy pipes and tubes—1,200 tonnes—(NA/SE)

Electrical Equipment

M/s Susmit Sangita Inter Magnetics Pvt Ltd, 148, Hazaribagh Road, Ranchi-834001 (Ranchi-Bihar)—Magnetic Recording Tape (size 1/4")—170 million running metres—(NU)

M/s Bhartia Cutler-Hammer India Ltd, 1101, New Delhi House, 27, Barakhamba Road, New Delhi-110001 (Gurgaon-Haryana)—(a) Relays—66,000 Nos—90,000 Nos (after expn), (b) Push Buttons—76,000 Nos—1,00,000 Nos (after expn)—(SE)

M/s Bharat Heavy Electricals Ltd, Hindustan Times House, 18-20, Kasturba Gandhi Marg, New Delhi-110001 (Bangalore-Karnataka)—Diodes/Thyristors Devices—45,000 Nos—(NA)

M/s Universal Magnetics Pvt Ltd, 115, Sector 8-C, Chandigarh (Chandigarh-Union Territory)—Magnetic Recording and Erasing Heads—5 lakh Nos—(NU)

Transportation

M/s Globe Auto (Gujarat) Ltd, 'D' Shivsagar Estate, Worli, Bombay-400018 (Bulsar-Gujarat)—Dynastart—25,000 Nos—(NA)

M/s Precision Bearings India Ltd, P.O. Maneja, Distt Baroda-391710 (Baroda-Gujarat)—Railway Axle Box—12,000 Nos—(NA)

M/s Danfoss (India) Ltd, 706-707, Surya Kiran, 19, Kasturba Gannhi Marg, New Delhi-110001 (Ghaziabad-UP)—Radiator Thermostats—11,000 Nos—(COB)

Industrial Machinery

M/s Andhra Pradesh Heavy Machinery and Engineering Ltd, 1-8-Plot No 6, Prenderghast Road, Secunderabad-500003. (Krishna-AP)—Chemicals and Pharmaceutical machinery and Ceramic machinery—2,000 tonnes—(NU)

M/s National Engineering Works, Nirmal Nagar Bhavnagar (Gujarat) (Bhavnagar-Gujarat)—Pin Strips—5 lakh Pcs (of 5" to 18" long) Flat Card Chains and Link Belt Card Chains—1,000 sets—(NA)

M/s Otto India Pvt Ltd, 10, Middleton Row, Calcutta-700071 (Sundergarh-Orissa)—Coke Oven Maehinery—780 tonnes—(COB)

M/s Marshall Sons & Co (Mfg) Ltd, 33/34, Ambattur Indl Estate, Madras-600058 (Chinglepet-Tamil Nadu)—Self Propelled Hydraulic Mobile Cranes (upto 10 tonnes)—50 Nos—(NA)

Machine Tools

M/s Gordon Woodroffe Engineers Ltd, 1/21 North Beach Road, Madras-600001 (Madras-Tamil Nadu)—Accessories for machine tools as below: (i) Collets and Feed Fingers (ii) Live and Dead Centres (iii) Drill Sleeves (iv) Turret Sockets—Total capacity 22,500 Nos (COB)

M/s Gedee Weiler Pvt Ltd, Gopal Bagh, 317, Avanashi Road, P.O. Box No. 3755, Coimbatore-641023 (Coimbatore-Tamil Nadu)—(i) Capstan Lathes (RDU) (ii) Precision Centre Lathes (LZ)—Total capacity 225 Nos—(COB)

Mechanical & Engineering Industries

M/s Industrial & Structurals Pvt Ltd, Maker Bhavan No. 2, 5th Floor, New Marine Lines, Bombay-400020 (Thana-Maharashtra)—Disposable Thermocouples tips—1,61,306 Nos; Temperature Indicators/recorders (with Audio visual signal) for above items—7 Nos; Billet Casting Machine—3 Nos—(COB)

M/s Sharpedge Ltd, Escorts House, Roshanara Road, Delhi-110007 (New Delhi)—Carbon/Stainless Steel Safety Razor Blades—200 million Nos—(COB)

Industrial Instruments

M/s Taylors Instrument Co (India) Ltd, 14, Mathura Rd, P.O. Amar Nagar, Faridabad-121003 (Faridabad-Haryana)—Transmitters for pressure, Diff pressure, Temperature and Level—600 Nos; Recorders/Indicators, Recording/Indicating Controllers—1100 Nos; Relays such as square root extraction Integrating Computing ratio & Deviation alarm—300 Nos; Manual Loading Stations—100 Nos; Analysers such as Infrared Oxygen Cas Chromatograph—100 Nos; Magnetic Flow Meters—200 Nos; Battery Back Up systems—200 Nos; Multipoint recorders—400 Nos Total capacity : 3,000 Nos—(NA)

Scientific Instruments

M/s Cambridge Instruments (India) Ltd, Bombay-Poona Rd, Pimpri P.F. Poona-411018 (Poona-Maharashtra)—4" Index Thermometers—3419 Nos; Thermographs (Single Pen)—267 Nos; PH/Gas Instruments—99 Nos; Cardiographs—181 Nos; PH Electrodes—1738 Nos—(COB)

Chemicals (Other than Fertilisers)

M/s Fertilizer Corporation of India Ltd, "Madhuban", 55, Nehru Place, New Delhi-110024 (Dhanbad-Bihar)—Sodium Hexameta Phosphate—900 tonnes—(NA)

M/s Bihar Acetylene Co, 8/7, Industrial Site No. 4, Ghaziabad (UP) (Palmau-Bihar)—Dissolved Acetylene Gas—0.20 MCM—(NU)

M/s Petrosynthese Pvt Ltd, National House, 6, Tulloch Road, Bombay-400039 (Baroda-Gujarat)—Polybutenes—5,000 tonnes—(NU)

M/s Nagarjuna Fertilizers and Chemicals Ltd, Sheesh Mahal, Road No. 7, Banjara Hills, Hyderabad-500034 (Kakinada-AP)—Nitrogen—2,28,000 tonnes—(NU)

M/s Dr Beck & Co (India) Ltd, Pimpri, Poona-411018 (Ankleshwar-Gujarat)—Cashew Nut Shell Liquid Based Resins—150 tonnes; Brake Lining Resins—300 tonnes—(COB)

M/s Asiatic Oxygen & Acetylene Co Ltd, 8, B B.D. Bag (East), Calcutta-700001 (Nagpur-Maharashtra)—Oxygen Gas—0.36 MCM (existing)—1.0 MCM (after expn); Dissolved

Acetylene—0.12 MCM (existing)—0.20 MCM (after expn)—SE)

M/s Supreme Industries Ltd, 17/18, Shah Indl Estate, Veera Desai Road, Andheri (West), Bombay-400058 (Kolaba-Maharashtra)—Co-extruded Polyethylene film—1,000 tonnes—(NA)

M/s Gujarat State Fertilizers Co Ltd, P.O. Fertilizer Nagar, Distt Baroda (Gujarat) (Baroda-Gujarat)—Melamine—5,000 tonnes—(NU)

M/s J.K. Synthetics Ltd, Kamla Tower, Kanpur (UP) (Kota-Rajasthan)—Polyester staple fibre—900 tonnes (existing)—3,000 tonnes (after expansion)—(SE)

M/s Hindustan Organic Chemicals Ltd, P.O. Rasayani, Distt Kolaba (Maharashtra) Kolaba-Maharashtra)—Concentrated Nitric Acid—20,000 tonnes—(NA)

M/s Hindustan Organic Chemicals Ltd, P.O. Rasayani, Distt Kolaba (Maharashtra)—Hydrogen Gas—600 tonnes—1200 tonnes (after expn) for captive consumption—(SE)

Drugs and Pharmaceuticals

M/s B.E.C. Chemicals Pvt Ltd, Victoria Bldg, Syed Abdulla Brelvi Rd, Fort, Bombay-400001 (Kolaba-Maharashtra)—4.7 Dichloro-Quinoline—50 tonnes—(NA)

M/s Duphar-Interfran Ltd, F/5, Shivasagar Estate, Dr Annie Besant Road, Bombay-400018 (Thana-Maharashtra)—Isoxuprine Hydrochloride—500 Kgs—(NA)

M/s Standard Pharmaceuticals Ltd, 24, Park Street, Calcutta-700016 (Hooghly-West Bengal)—Gentamycin (Injectable) (each 1 ml to contain Gentamycin Sulphate—40,000 i.u. equivalent to 40 mg of Gentamycin base)—2,00,000 vials of 2 mls—(NA)

M/s Standard Pharmaceuticals Ltd, 24, Park Street, Calcutta-700016 (Hooghly-West Bengal)—Salbutamol Tablet (each tablet to contain Salbutamol Sulphate)—80,00,000 tablets, Salbutamol Syrup (each 5 ml to contain Salbutamol Sulphate equivalent to Salbutamol BP 2 mg)—1,50,000 phials of 112 ml each—(NA)

M/s Standard Pharmaceuticals Ltd, 24, Park Street, Calcutta-700016 (Hooghly-West Bengal)—Metronidazole Tablets (each tablet to contain Metronidazole-200 mg)—1,50,00,000 tablets—(NA)

M/s Amrutanjan Ltd, 14/15, Luz Church Road, Mylapore, Madras-4 (Madras-Tamil Nadu)—Amrutanjan Pain Balm 5.25 gms—21,65,000 Nos, 12 gms—20.57 million Nos, 24 gms—2,60,000 Nos, Dermal Ointment 16 gms—1,80,000 Nos, Cetomix Cough Mixture 60 ml—20,000 Nos—(COB)

M/s Orient Pharma Pvt Ltd, Old Trunk Road, Pallavaram, Madras-600043 (Chingleput-Tamil Nadu)—Bronidiol (Chemical-2-Bromo-2-Nitro Propane-1, 3-Diol)—1.2 tonnes—(NA)

M/s Sarabhai M. Chemicals, Gorwa Road, Baroda-390007 (Baroda-Gujarat)—Calcium Gluconate (oral and injectable grade) and Ferrous Gluconate (oral grade)—250 tonnes—(NA)

Textiles

M/s Ashoka Mills Ltd, Railway Pura, Naroda Road, Ahmedabad-380002 (Ahmedabad-Gujarat)—Cotton fabrics, Polyester/Cotton fabrics, Polyester Cotton/Polyester filament fabrics—4500 spindles (additional) for correcting imbalance between spinning and weaving—53,788 spindles (after expn)—(SE)

M/s Panna Knitting Industries, Mahidharpura, Gundi Sheri, Surat-395003 (Surat-Gujarat)—Art Silk & Synthetic Fabrics—By installation of 4 additional warp knitting machines—(SE)

Fermentation Industries

M/s Vorion Chemicals & Distillaries Ltd, 114, Mowbrays Road, Alwarpet, Madras-600018 (Bangalore-Karnataka)—Indian made foreign liquor—1,100 bulk kilo litres (on provisional basis)—(COB)

Food Processing Industries

M/s Paschimi Rajasthan Dugdh Utpadak Sahakari Sangh Ltd, 35, Heavy Indl Area, Jodhpur (Jodhpur-Rajasthan)—Table Butter—1,500 tonnes, Ghee—750 tonnes, Casein—75 tonnes, Skimmed milk powder/whole milk powder—2,700 tonnes, Infant milk food—750 tonnes—(NU)

Vegetable Oils and Vanaspathi

M/s Shri Durga Cotton Ginning Pressing and Oil Mills, Giddarbaha (Punjab) Faridkot-Punjab)—Cotton Seed Oil—17,400 tonnes (Addl)—23,400 tonnes (after expn)—(SE)

Leather & Leather Goods

M/s Bharath Skins Corporation, 10-B, Vepery High Road, Periamet, Madras-600003 (Madras-Tamil Nadu)—Finished leather from semi-finished goat/sheep skins—9,00,000 Pcs—(COB)

Letters of Intent

Metallurgical Industries (Ferrous)

M/s Indian Aluminium Co Ltd, 1, Middleton Street, Calcutta-700016 (Taloja-Maharashtra)—Aluminium Extruded Products—2,400 tonnes—(NU)

M/s Indian Aluminium Co Ltd, 1, Middleton Street, Calcutta-700016 (Taloja-Maharashtra)—Aluminium Rolled Products (not including circles)—3,675 tonnes, 15,175 tonnes (after expn)—(SE)

M/s Bhartia Electric Steel Co Ltd, 7 B & C Poonam, 5/2, Russel Street, Calcutta-700071 (Calcutta-West Bengal)—Alloy Iron Castings—1,000 tonnes (within the existing licensed capacity of steel castings)—(NA)

Electrical Equipment

M/s Murphy India Ltd, Eastern Express Highway, PO Box No 201 Nanpada, Thana-400602 (Thana-Maharashtra)—Cermet type variable resistors—1 million Pcs—(NA)

Project Director (Semi-Conductor Complex), Department of Electronics, C/o Tata Institute of Fundamental Research, Homi Bhaba Road, Bombay-400005 (SAS Nagar-Punjab)—Bipolar/MOS Large Scale Integrated Circuits (LSIs) such as calculator-chips, watch chips, memories, micro-processors, peripherals, inter-face circuits and circuits for instrumentation and communication etc—1.5 million Nos, Light Emitting Diodes (LEDs); Digits—2 million Nos, Lamps—1 million Nos; Solid State Microwave Devices—7000 Nos—(NU)

M/s U.P. Electronics Ltd, (A UP govt undertaking), 4, Prag Narain Road, Lucknow-226001 (Lucknow-UP)—Aluminium Electrolytic Capacitors—60,000,000 Nos—(NU)

M/s Philips India Ltd, 7, Justice Chandra Madhab Road, Calcutta-700020 (Pune-Maharashtra)—Metal Film Resistors—7 million Nos—(SE)

M/s Transformers and Electricals Kerala Ltd, Angamally South PO, Pin Code 683573, Ernakulam Distt (Ernakulam-Kerala)—Power Transformers upto 500 KV with unit capacity upto 650 MVA, Bushing and on-load tap changers upto 500 KV—6000 MVA, Reactors upto 500 KV—500 MVA—(SE)

Transportation

M/s Schrader-Scovill Duncan Ltd, 31, Netaji Subhas Road, Calcutta-700001 (Bombay-Mahasashtra)—Air Cylinders—4,000 Nos, Air Control Valves—10,000 Nos, Air Filter Regulators & Lubricators—2,000 sets—(SE)

M/s Mangala Engineering Works Pvt Ltd, Plot No 23, 12-Mata Nivas, Dr M.B. Raut Road, Bombay-400023 (Thana-Maharashtra)—Vessels—6,000 tonnes (Addl)—12,000 tonnes (After expn)—(SE)

Mechanical & Engineering Industries

M/s Philips India Ltd, Shivasagar Estate, Block 'A' Dr Annie Besant Road, Worli, Bombay-400018 (Maharashtra)—Specialised Tools—Rs 100 lakhs—(SE)

Chemicals (Other than Fertilizers)

M/s Atul Products Ltd, PO Atul, Distt Bulsar-396020 (Bulsar-Gujarat)—Diuron Technical—100 tonnes—(NA)

M/s Eeshan Enterprises (P) Ltd, 276, Ishwar Nagar, New Delhi-110020 (Backward Area-Rajasthan)—Sulphuric Acid—33,000 tonnes—(NU)

Mr Ram Aggarwal, S-133, Panch Shila Park, New Delhi-110017 (Bhandra-Maharashtra)—Sulphuric Acid—16,500 tonnes —(NU)

M/s Diamond Shamrock (India) Ltd, 702-B, Poonam Chambers, 7th Floor, Shivsagar Estate, Dr A.B. Road, Worli, Bombay-400018 (Thana-Maharashtra)—Speciality Industrial Chemicals—3,400 tonnes (Addl)—7,000 tonnes (After expn)—(SE)

M/s Hingorani Air Products Pvt Ltd, I.K. Shah Bldg, Jalway Compound, Fateh Ganj, Baroda-390002 (Panchmahal-Gujarat)—Nitrogen Gas—5,00,000 (0.50 mil) cu m, Dissolved Acetylene Gas—2,00,000 (0.20 million) cu m—(NA)

Dyestuffs

M/s Western India Erectors Ltd, PO Box No 731, Sahyadri Sadan, Tilak Road, Poona-411030 (Kolaba-Maharashtra)—Naphthionic Acid and Salt—60 tonnes, H Acid—110 tonnes, Tobias Acid—70 tonnes, J Acid—60 tonnes, Phenyl J Acid—15 tonnes, Gamma Acid—40 tonnes, G. Acid—100 tonnes, R Salt—20 tonnes—(NU)

Textiles

M/s Orissa Textile Mills Ltd, PO Chowdwar, Distt Cuttack (Cuttack-Orissa)—100% Synthetic Yarn and Fabrics—By diversification of production of 24 looms—(NA)

Cement and Gypsum Products

M/s Straw Products Ltd, 'Nehru House', 3rd Floor, 4, Bahadurshah Zafar Marg, New Delhi-110002 (Sirohi-Rajasthan)—Portland Cement—4.18 lakh tonnes—(NA)

Changes in the Names of Owners Undertakings

(Information pertains to particular licences only)

M/s Devidayal Tubes Industries Ltd, Maharashtra to M/s Steel Suppliers Ltd

M/s Kalali Chemicals Pvt Ltd, Gujarat to M/s Kalali Chemicals Ltd

Licences Revoked, Cancelled or Surrendered

(Information pertains to particular licences only)

M/s Thyristors Controls Pvt Ltd, Ahmedabad—Power Control Units—(Revoked)

M/s Ferro Magnet and Allied Products Ltd, Madras—Hard Ferrite Magnets—(Revoked)

M/s Uttara Khand Glass Works Ltd, New Delhi—Glass Bottles—(Revoked)

M/s Vee Electrical Stampings (India), Ltd, Satna (MP)—Laminations and Electrical Stampings—(Revoked)

M/s Unichem Laboratories Ltd, Bombay—D-Propoxyphene Hcl—(Cancelled)

M/s Steel Tubes of India Ltd, Dewas—Ferrous, Non-ferrous Tubes—(Cancelled)

Mr S.K. Kajriwal, C/o Kajriwal Enterprises, Bombay—Pulp, Packing & Wrapping Paper and Writing & Printing Paper—(Revoked)

M/s Deccan Gears & Sprockets Ltd, Bangalore—Kraft and Wrapping paper—Revoked

Mr R.K. Rajgarhia, New Delhi—Pulp, Writing & Printing Paper and Packing and Wrapping Paper--Revoked

M/s UP Paper Mills, Ludhiana (Pb)—Pulp and Writing & Printing Paper—(Revoked)

Mrs Parkashwati, Saraswati Steel Rolling Mills, Jullundur City (Pb)—Packing Kraft Paper, Wrapping Paper & Board—(Revoked)

Mr S.R. Goenka, Calcutta—Pulp, Duplex Board corrugating medium—(Revoked)

Mr Mukul Jain, New Delhi-21—Pulp, Packing and Wrapping Paper—(Revoked)

M/s Vivek Paper Mills Ltd, New Delhi—Pulp, Packing and Wrapping Paper—(Revoked)

Mr Mukesh Kumar, Jullundur City—Writing & Printing Paper—(Revoked)

M/s Wellman (India) Pvt Ltd, Bombay—Organic Intermediates for Dyestuffs—(Cancelled)

M/s Swadeshi Cotton Mills Ltd, Kanpur—Installation of terry towel looms—(Revoked)

Letters of Intent Lapsed or Cancelled

(Information pertains to particular letters of intent only)

Mr Keshav Thirani, Calcutta-20 (Rajasthan)—Alloy Steel Casting & Centrifugally cast alloy steel tubes—(Lapsed)

M/s Hukumchand Jute Mills Ltd, (Chemicals Division), Calcutta (MP)—Caustic Soda—(Surrendered)

Mr Satish C. Anand, Bombay (Maharashtra)—Vinyl Pyridine Latex—(Lapsed)

M/s Sunlight Batteries and Carbons Ltd, Bombay (Gujarat)—Dry Cell Batteries—(Lapsed)

M/s W.G. Forge & Allied Industries Ltd, Thana (Maharashtra)—GTC Segments—(Lapsed)

M/s Fertiliser & Chemicals Travancore Ltd, Alwaye (Kerala State)—Methanol—(Lapsed)

M/s Raj Mechanical Industries, Ludhiana-141003 (Punjab)—Fine and Superfine Gauge Jaequared Machine—(Lapsed)

The Britannia Biscuit Company Limited

"The organised and the small scale sector are not mutually exclusive"

Extracts from the Statement made by Mr. K. Julian Scott, Chairman, The Britannia Biscuit Company Limited, at the Annual General Meeting, at Calcutta, on 27th July 1978.

1977-78 was an eventful year for the Britannia Biscuit Company. Sales increased to Rs. 45,77,84,118 and profit before tax at Rs. 4,58,66,844 was just above the level of the previous year despite disruptions in production operations at the Bombay Branch from October.

What makes the year memorable is the enthusiasm and support which was accorded to our share issue. A total of 1.8 million equity shares were offered for sale, of which 1.15 million shares were available to the public. The investing community reacted with over one hundred and fifty thousand applications seeking a total in excess of thirty million shares. This amounted to the public issue being oversubscribed by over 26 times.

I regard this overwhelming response to our share issue, as a massive vote of public confidence in the Company, its worthiness and its management. When merit and achievement is recognised, it is always pleasing, and this is even more so when it comes from people who are not moved by emotion or publicity, but who base their decisions on a thorough financial analysis of the Company's past record, its present worth and its future potential. To me, and those of us who are responsible for directing the Company's operations, this public show of confidence is a matter of great pride and deep satisfaction, since it establishes that our endeavours on behalf of the organisation have been worthwhile and fruitful.

This situation highlights the fact that organisations succeed and survive only through public support, and that this support is earned not by publicity but by virtue of an honest and successful performance. In the ultimate analysis, the success of any business is dependent on the democratic process in its trust and purest form. Each day manufacturers of consumer merchandise have to face a vote of confidence, which is the lot of every product for sale in the market and for which alternatives are available.

In Britannia, we are only too conscious of this fundamental truth. We know that the consumer holds the power of veto in his hands. That is why so much effort and energy of the organisation is spent on maintaining the product quality which gives our brands their unique appeal for our consumers. We know only too well that our prosperity and our survival is dependent on the continuing satisfaction of our consumers. We draw our strength from this bedrock of consumer confidence and it is this strength which enables us to earn a profit, pay taxes and share the rewards amongst the participating groups involved in the Company's operations.

We look after our employees as well as we can and believe they deserve to be rewarded for the good work they do. If people are to give of their best and retain interest in what they are doing it is necessary that they should be properly compensated. In formulating a compensation policy, a company takes two basic factors into consideration—the value of a job and the standard of individual performance. Compensation is, therefore, linked to competence, merit and in the last analysis the contribution made to the economic success of the business. Industry is a major contributor to the wealth of a nation, and those who manage industry deserve to be compensated for their merit, just as anyone else in any other field, like those self-employed. The solution to the controversial managerial compensation problem lies in enhancing the compensation of those who might be underpaid, as for instance professional managers in Government or other services and not by whittling down the incomes of salaried employees in the private sector.

Unfortunately, in certain quarters, it seems to have become fashionable to criticise business operations on every conceivable occasion. Normally one would welcome criticism, provided it is objective, informed and constructive, since one can learn a lot from such criticism which is to ones benefit. What is sad is that it seems that most of this criticism is based on prejudice and directed not towards improving business practices, but merely with the object of discrediting industry. I used to believe once that this was happening because business did not take sufficient trouble to explain itself and its role, but I now wonder if this really so.

Business activity is carried on openly in a free society, according to the law and regulations which govern commerce. We do not live in an anarchic society, but in a mature country with centuries of civilisation behind it. It is wrong to infer that business is a law unto itself and can behave in any manner that it chooses.

As a Company we are committed to the concept that it is our purpose to make profit, for without profit there can be no survival or growth for a commercial enterprise. We can be useful to the nation only if we are financially healthy and stable, if we earn a profit, pay taxes, provide jobs for people and serve the community. We will have kept our trust with our shareholders only if we can safeguard and enhance the money they have entrusted to us and if we provide them with a reasonable return.

Large companies are no longer indifferent organisations as far as social responsibilities are concerned. They are aware of their obligations to the community and there is an increasing disposition to appraise them not only according to shareholders' opinions but also from the point of view of their contribution to society as a whole. Companies these days are not evaluated by their Balance Sheet alone but through that intuitive appreciation which is often termed image. Any reform aimed at fitting a Company to the social demands requires simultaneous strengthening of its intrinsic nature as an efficient productive organisation contributing to the welfare of the economy.

It is important to remember that it is industry which produces much of the wealth on which we live. Efficient manage-

ment is the key to the success of industry. Management should be encouraged, not discouraged. Constant denigration of the organised sector of private industry must stop if industry is to grow and prosper and if professional managers are to be attracted to industry or to remain if they are already there.

Generally speaking, our employees are a happy group who feel a sense of pride in belonging to the Company. We may have our differences now and then, and which family does not have them, but each one of us is aware that in the ultimate analysis the prosperity of the organisation is our prosperity, its success is our success, and if sometimes the going is rough, in the larger interest, it is worth the strain, effort and labour.

To those of us who have worked and grown with Britannia, it is impossible to look upon the organisation as an impersonal money-making machine. In fact to us the Company is a living thing, reflecting in its objectives and aspirations the sum total of the values of the people who have joined together to create it. No human being can live happily if he is in conflict with society, and so it is with a corporation. An organisation can grow and flourish only if it confirms to the expectations of society and is seen to respect its values and contribute to its well-being. We, who work in this company, are very conscious of our obligations.

Our customers and trading partners value their association with us, because they have confidence based on many years' experience that the Company is fair in its dealings and friendly in its behaviour. It is of considerable pride and satisfaction to us that our business relationship with most of our customers is of many years standing, and rarely does a customer decide to terminate a relationship once formed. Our customers are spread over more than 600 towns throughout the country and distribute our products in prime conditions to our consumers.

Perhaps the most misunderstood and distorted picture of Corporations is that of their owners. The detractors of business appear to believe that the owners are selfish and indifferent people, exploiting society and the poor. I find it very hard to recognise this distortion in the representative group of shareholders whom I have served over the years.

We have over 28,000 owners, most of them fine ordinary people like you, whom I and my colleagues are proud to serve. It is always a warm and rewarding experience for us to meet with you and I wish that those who talk in theoretical terms of large corporations and their owners would meet you and find out at first-hand who the owners are and what they are like. For myself, I always go back from meeting our shareholders with a sense of achievement and the satisfaction that I am doing a worth while job for an important group of people.

Among our many owners, there are people who have put a portion of their life's savings into this business in confidence and faith that we will protect and build their investment. Is this an unreasonable wish on their part? And are we doing anything wrong in protecting and building their investment? I ask these questions of those who still quarrel with the objectives of a business that is conscious of its social obligations.

I can say with pride that Britannia lives up to not only the image of what a good business should be like but we are always looking ahead to ensure that not only do we fit into the world of today, but also in the society of tomorrow.

Today, I want to be able to talk about the future and in the process touch on a subject on which government leaders often invite us to speak frankly and in a forthright manner. We know how business should behave, and what our duties and responsibilities to society and the nation. I want to be able to indicate what business expects from Government, so that its contributions can be meaningful and worthwhile from the national point of view.

The first and foremost requirement is for the Government to accept business as a useful and contributing sector of society and not think of it as an apathetic and insensitive entity, which has to be tolerated within certain limits. The Government has all the power and authority to frame laws and policies, which provide the ground rules within which business has to operate. If business operates within these laws and regulations, it should be encouraged to serve the community and aid the economy.

Business has of necessity to function in an area of uncertainty, but the areas can be minimised if industrial policies are clearly defined. Too many times is the same policy interpreted differently and not only does this create confusion, but it leads to the very pulls and pressures which Government wish to avoid. What is worse is that it disrupts business planning, and time which is a precious resource is wasted needlessly.

There is need for a frank and forthright dialogue between Government and business, a dialogue based on exploring how business can assist the Government in the areas where Government recognise that business can help.

National priorities have to be clearly identified, and then plans made to achieve the objectives. Today, the emphasis of Government planning has shifted from heavy industries, public sector and long gestation period plans. This shift is necessary in the interest of mass welfare, and mass employment and rural development are the needs of today.

In practical terms for business it means that it must fend for itself and it can no longer rely heavily for financial resources on Government and Public Financial institutions. I welcome this change as it is a challenge for self-reliance and I know that Britannia is entirely capable of taking up this challenge. It means that we must find the capacity to develop and business must display more ingenuity and resourcefulness.

An atmosphere conducive to growth is vital today when the accent is on rural development. A joint and co-operative effort by government and industry is essential to attain this objective. Industry with its talent and expertise can play a very effective role in improving overall economic and social conditions. But in order to harness these forces the government must ensure that the financial strength of a business enterprise is not weakened by imposing restraints. India is a vast country with enermous potential and we should take this opportunity to utilise the services that existing industry can offer to achieve overall growth of the economy, extending it to the rural areas where development is needed most.

With plans for diversification into new field of activity, it is very important that natural growth in traditional lines of business is permitted in order to sustain the company during the gestation periods. In fact, natural growth is imperative under all circumstances inasmuch as each operation must stand on its own feet, producing a satisfactory return on investment. A policy that restricts business activities which generate growth is bound to be detrimental to the interest of society as without growth business will stagnate and decline.

I would also like to highlight that the reported decision of the Government not to allow 25 per cent additional production in respect of items reserved for small scale sector, which includes biscuit and bread, if implemented, would result in waste of valuable national resources and underutilisation of plant capacity. In an economy where there is scarcity of capital, it will be a retrograde step not to utilise the assets for which investment has already been made. The Government policy for full utilisation of installed capacity should be implemented in all industries of the sectors for which they have been reserved. The demand for

items like biscuit and bread is growing so fast that additional production capacities should be granted to avoid creation of unnecessary shortage of essential items.

In merchandising biscuits, we are aware that the majority of our consumers are children, and we are proud that we are assisting in building the health of these priceless assets of the nation. Our products are neither a luxury nor a frivolous food. A biscuit is a balanced convenience food and is a particularly suitable and palatable way of combining nourshing ingredients for improving the health of children and grown-ups alike, of all classes. It is not such a well-known fact that biscuits are generally purchased by families in the income group of Rs 300-to Rs 1000-per month. In biscuits we are selling nutrition and that is the reason why we spend so much time and effort on R & D in developing special biscuits like PROBISK which is a highly nourishing food. Our biscuits have been used in school-feeding programme not only in India but in several other developing countries. We are continuing with efforts to develop low-priced high-protein biscuit with tastes which children will like and in this field I believe the organised biscuit industry has a pioneering role to play.

What I have said of biscuits is equally true of our other products, and our quality has earned us respect and recognition. Britannia Bread has a name for wholesomeness and consistent quality. The standard of our frozen seafoods has won us praise in international markets and visitors to our Thane plant have been impressed by our standards of hygiene and quality which compare favourably with the best in the world.

For over half a century consumers of Britannia products have looked upon us as reliable source of pure hygienic and nourishing foodstuffs. The organised sector and your company in particular is well equipped to manufacture a range of hygienically produced and packed products. We control standards at every stage in production, test all ingredients and materials that are used and maintain strict quality control throughout all processing operations. R & D is used to upgrade nutritional levels and develop product lines for home and overseas markets. Only the organised sector has so far shown itself capable of making the investment in people, effort and plant required for these purposes.

When so much effort is being made to improve the health and nutritional levels of the people, the primary considerations of hygiene and scrupulous quality control should not be underplayed in the plans for the development of the food industry in our country. One does not have to go far to learn from the experience of the PFA, ISI and Factories Act personnel in the country that smaller units have often failed to maintain the prescribed standards. The lists of export rejections tell the same story. I venture to suggest that we are expecting something of small-scale units which is beyond their abilities by the very nature of things. It is not possible in a small unit to provide sophisticated equipment, controls and specialised personnel necessary to implement the minimum standards expected of a modern unit in the processed food field. Besides, if costs are important, then it becomes necessary to introduce economies of scale, which take the project out from the area of small-scale to that of the organised sector.

I am not suggesting that the small sector has no role to play. On the contrary, I feel it has a very important role to play in certain fields. I prefer to take a larger and more dynamic view of the situation for I do not believe that the organised and the small sectors are mutually exclusive. I believe that a meaningful relationship can be wrought between the two, and as a company we have demonstrated that this is possible. In our quest for developing local bakery plant and machinery and the import substitution programme for spare parts, we have collaborated successfully with small engineering units. The benefits are available to all, big and small, in the industry. We are not jealously protective of our knowledge and expertise. We stand ready to share, ready to participate. But also we stand firm in our belief that we have a useful role to play, a contribution to make to the national effort including rural development.

Although the Management remain concerned about the restraints that are being imposed on traditional industry, I believe our financial structure and operations are in fine shape and will enable the company to take advantage of growth opportunities that occur even in this difficult period.

It gives me great pleasure to inform you that the Board of Directors elected Mr. N.C. Chaudhuri to succeed me as Managing Director. With his wide knowledge and experience of business affairs, he is eminently qualified to lead the company. As the Chief Executive of the company, he is supported by a team of highly qualified professional managers all of whom are dedicated to the task of taking the company to new heights of success and prosperity in the future.

K. JULIAN SCOTT

Note: This does not purport to be a report of the proceedings of the Annual General Meeting.

Amendments to import policy

The import policy has been further liberalised on the basis of the advise of a review committee which had been set up to recommend modifications to the new policy on the basis of the suggestions and representations received by the government. Mr Mohan Dharia, minister of Commerce, Civil Supplies and Cooperation, made the following statement in the Lok Sabha, on July 28, 1978 :

WHILE PLACING on the table of the house on, April 3, 1978, the foreign trade policy for 1978-79, I had stated that the committee under the chairmanship of secretary, technical development would receive during the period April-June 1978 suggestions and representations made in regard to the new policy and make its recommendations to government, on the basis of which modifications could be made. A wide cross section of persons in industry and trade including the principal chambers of commerce and industry and other associations availed of this opportunity. The review commitee has already completed the bulk of its work and would by the end of this month be disposing of all requests and suggestions made up to the middle of July 1978.

Recommendations

After considering the recommendations made by the review committee in the above manner, it has been decided to issue a public notice, bringing into force those recommendations of the committee as have been accepted by the government. I have great pleasure in placing on the table of the house copies of this public notice. As soon as the committee has completed its work, another public notice will be issued, covering amendments to the existing policy in the nature of inter-se adjustments among the banned, restricted and other lists of items included in the import policy.

Actual Users

For the benefit of the house, I wish to summarise hereunder the principal contents of the public notice being issued today.

(i) The definition of "spares" and "components" has been enlarged to include accessories and attachments.

(ii) The policy does not permit the import of "consumables" by industrial users under Open General Licence. To give them relief in this regard, an addition to the automatic licences granted to them would be made to the extent of 10 per cent of the value of such licences, to enable them to import the consumables needed by them.

(iii) There are industries which are still passing through the phased development programme in our country. Suitable provisions had been made in the earlier policy to take care of such programme, but the connected procedures were likely to result in difficulties and delays especially at the time of customs clearance. This has been rationalised in the new approach continued in the public notice.

While doing so, the number of industries included in the list has been reviewed and reduced as far as possible.

(iv) In the case of small tools and precision measuring instruments, the policy did not earlier permit industrial users to use their automatic licences to import, within limits, any of the tools and instruments included in the banned list. This has been liberalised, having due regard to the present status of Indian industry. (A similar facility has been extended to exporters of engineering goods against their replenishment licences).

Permissible Spares

(i) Items included in the restricted list could not be imported as "permissible" spares in the earlier policy, that is to say under Open General Licence, by the concerned actual users. This has now been provided.

The demand for ball, roller and other bearings of internal diameter of 10mm to 50mm is more than what can be supplied by indigenous producers. Hence all such items of and above 10mm diameter have been placed in the restricted list.

(vi) Various types of capital goods have been allowed for import under Open General Licence. Their components could also be imported by those, who are in a position either to assemble them or even make a modest contribution to their Indian manufacture; savings in packing and freight can also be had thereby. This enabling provision has been made fully clear in the amendment now made to the relevant entry No. 497.

(vii) Various amendments have been made to permit easier flow of components and materials required by electronic industrial units, so as to give a boost to their indigenous production and also exports. This has been done by identifying specific components, which are made indigenously and leaving the rest for import under Open General Licence.

(viii) Among the items under Open General Licence, X-ray films and other photographic films, of the type that are not being made indigenously have been now allowed for import by all persons. The earlier provision limiting this facility to actual users created difficulties to professionals and hospitals in getting their requirements.

(ix) The crude drugs required to be imported for unani and ayurvedic purposes have been enumerated, to make their imports more convenient at the time of customs clearance.

(x) The list of family planning items allowed for import under Open General Licence has been enlarged to include all items as have been approv-

ed by the drugs controller, but are not produced indigenously.

(xi) Small-scale industries requiring automatic licences for value less than Rs 50,000 are granted such licences on a "repeat" basis. It has been decided that in such cases there need be no sub-division of the total value among iron and steel items, non-iron and steel items and spares. They can utilise the licences as best as they like, for maintaining their registered industrial actvities.

(i) Exports of spares and components of machine tools, internal combustion engines, pumps and compressors, industrial machinery, motor vehicles and automobile ancillaries and railway equipments will be eligible to import replenishment at the same rate as that applicable to the respective parent product.

(ii) Certain export products had been omitted for import replenishment purposes in the earlier policy. A closer examination justified their restoraration, including adjustments in the rates already announced in some cases.

Both the above provisions will be applicable to exports made from April, 1978 onwards.

Import Replenishment

I would like to add that the list of export products qualifying for import replenishment is open to additions and alterations in the course of the year, depending upon the progress made in our export efforts vis-a-vis our industrial development.

(iii) Appropriate woollen products have been made eligible for the import of wool waste and synthetic waste as well.

(iv) The list of items included in the appendix 26 to the policy is not available to the export houses for the utilisation of their additional licences. It has been reviewed, several items have been deleted and a few items added.

(v) In view of the practical difficulties in the operation of the scheme and the price to be paid for uneconomic purchases, the limit of Rs 1 lakh per item in the restricted list applicable to export houses, for utilisation of their additional licences, has been raised to Rs 2 lakhs.

Export Industries

There are a few other matters relating to our foreign trade of which I would like to inform the house :

(i) The scheme for the export of gold jewellery against replacement of their gold content has been finalised and will be brought into force shortly. This will, I hope, go a long way to increase our export earnings and provide jobs for thousands of our goldsmiths and skilled artisans.

(ii) In the case of man-made fibres and filament yarn, the committee headed by secretary, Industrial Development, will finalise its report shortly, on the basis of government's textile policy. In the meantime, it has been decided to permit the eligible actual users to register with the State Trading Corporation of India Limited, their requirements of polyester filament yarn for one more quarter.

(iii) A review has been undertaken of the scheme of advance (including Imprest) licences with or without duty exemption benefits, so as to facilitate our export production efforts. It will be brought into operation soon.

(iv) Imports of second-hand machinery have posed problems at all times. After satisfactory verification of the nature of the items and their residual life, it is no doubt desirable to permit their

import, however, caution is required in judging individual cases. A committe, under the chairmanship of the secretary, Technical Development, is making a study of the subject to lay down appropriate guidelines.

(v) On the basis of the representations received, it has been decided that the offices of the Chief Controller of Imports and Exports located at Rajkot, Visakhapatnam and Pondicherry will continue to function as before during 1978-79, on the understanding that they will be closed down thereafter unless there is a substantial increase in the import/export activities handled through them in the current year.

With the amendments thus made to the policy, on the basis of the recommendations made by the review committee headed by secretary, Technical Development, our foreign trade policy has been further reoriented and simplified. These measures are based on various recommendations and exercises made by the ministry and I am sure the new foreign trade policy along with these amendments will provide a stable base for the future. I would like to utilise this opportunity to express the appreciations of the government for the prompt work done by the committee.

Multi-agency approach in agricultural financing

The working group on Multi-agency Approach in Agricultural Financing, appointed by the Reserve Bank of India in August 1976, under the chairmanship of Mr C.E. Kamath, chairman and managing director of Canara Bank, is of the view that, in providing credit for agriculture and allied activities, the prime role would have to be that of cooperatives, the commercial banks/regional rural banks playing a supplementary role.

IN ITS report the group says that until the cooperatives at the field level are well established and placed on a viable footing, the commercial banks and Regional Rural Banks (RRBs) will have to supplement the credit disbursal of weak cooperatives and also finance other rural development activities that are not normally undertaken by cooperatives.

The working group has emphasised the need for area demarcation for various credit agencies on geographical basis and suggested certain criteria to be adopted for the purpose, including strict regulation over the future branch expansion of commercial banks/RRBs to prevent unneessary proliferation of branches in the rural and semi-urban areas where the network of cooperatives is fairly adequate. Elaborating on this, the working group observes:

"Where lending agencies are ineffective in meeting the credit gaps due to managerial or financial weaknesses or where the cooperative network is inadequate, the supplementary agency should be either a regional rural bank or a commercial bank in the initial stages, that is, till the base-level organisation of the cooperatives is strengthened to meet the credit needs effectively.

Since the activities and operations of commercial banks in the field of agricultural credit will be mainly to strengthen the cooperatives, the future expansion of commercial bank offices, particularly in rural/semi-urban areas, will have to be viewed in the context of the overall objective of the multi-agency approach, recognising cooperatives as the primary channel of credit and commercial banks/regional rural banks as only supplementary agencies.

As regards the overlapping of banking facilities in rural areas, there is need for more effective monitoring on the part of the Reserve Bank in the context of the multi-agency approach, the need to strengthen the base-level cooperative credit structure and the desirability of encouraging regional rural banks to open more branches in the unbanked rural areas".

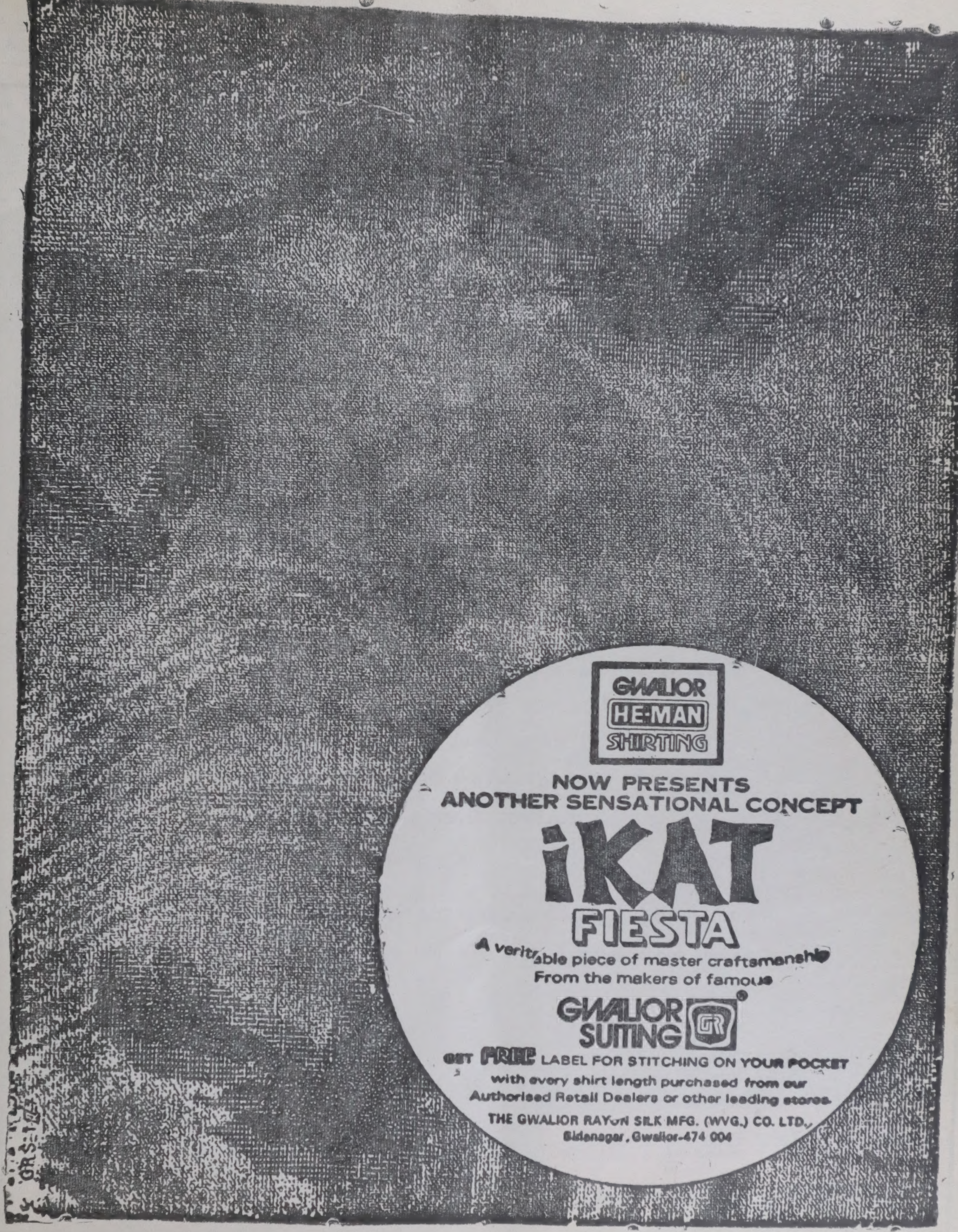
Two specific suggestions have been made in this context. One, the rural branches of commercial banks should be transferred to RRBs in a phased manner. Two, the scheme of consortium arrangement between commercial banks and cooperatives may be given a trial on a pilot basis in a few selected areas.

The working group has recommended the introduction of a uniform pattern of interest rates by commercial and co-operative [illegible] of interest suggested is as under:

Short-term loans up to Rs 2,500—not more than 11 per cent; Rs 2,501 to Rs 25,000—not more than 13 per cent: loans beyond Rs 25,000—the rates need not be higher than the rates charged on loans for working capital extended to sectors other than agriculture; term-loans for investment purposes (other than working capital), such as for minor irrigation and land development, with a repayment period exceeding three years—not more than 10½ per cent; term loans for other diversified purposes, with a repayment period exceeding three years—not more than 11 per cent.

Problems & Anomalies

In view of the problems and anomalies encountered in the implementation of the Differential Interest Rates Scheme, the group has favoured a thorough review of its working. Some of the other recommendations made by the group cover legislation for creation of a charge whenever a farmer borrows from a cooperative institution or commercial bank or RRB; introduction of passbook system for agricultural loans with necessary statutory backing wherever possible; uniformity in security norms; introduction of cash credit scheme in agricultural financing; well structured inspection procedure which should aim at a meaningful follow-up of advances; absorption of the credit guarantee premium by the credit institutions; reduction of premium rates on guarantees in respect of agricultural advances; withdrawal of service charge wherever levied on agricultural borrowers.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